Eastman Q2 2026 Financial Results Prepared Remarks
July 30, 2026

Slides 1 and 2

This document provides the CEO's and CFO's prepared remarks for Eastman Chemical Company's second-quarter 2026 financial results. This is to be read with the second-quarter 2026 financial results news release along with the provided slides, which detail our second-quarter 2026 financial results. The aforementioned items were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on July 30, 2026. On July 31, 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 second-quarter 2026 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 2025 and the Form 10-Q to be filed for second quarter 2026. 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 2026 financial results news release.

Slide 3 – 2Q 2026 highlights

Our second-quarter results demonstrate the strength of our execution in a challenging and rapidly changing environment. We delivered strong sequential adjusted EPS growth and solid cash flow by staying focused on the commercial and operational actions within our control. Adjusted EBIT margin improved 350 basis points from the first quarter, supported by 8 percent higher sales volume/mix, disciplined management of price-cost in Advanced Materials and Additives & Functional Products, and improved spreads in Chemical Intermediates. Our significant and integrated U.S. manufacturing footprint and global reach continued to differentiate Eastman, enabling us to reliably serve customers amid ongoing uncertainty as well as provide an advantaged cost position. Our specialty businesses delivered strong volume/mix growth across our markets in a weak environment through our innovation-driven growth model and the value that our customers place on our security of supply. We also continued building commercial momentum at our Kingsport methanolysis facility as we ramp this differentiated growth platform. In addition, our cost-reduction actions are gaining traction, and we made substantial progress toward our full-year target of $125 million to $150 million of savings, net of inflation. Cash generation remains a key financial priority, and we continue to expect solid operating cash flow, supported by the release of working capital in the second half.

Slide 4 – Corporate

Second-quarter adjusted EPS of $1.97 was ahead of our original guidance range of $1.70 to $1.90 and resulted in strong sequential and year-over-year growth. In the second quarter compared to the first quarter, revenue increased 15 percent driven by 8 percent volume/mix growth and a 7 percent increase in selling prices. The higher volume/mix was primarily driven by innovation-driven growth and share gains. In our specialty businesses, selling prices moved higher in response to significantly higher raw material and distribution costs resulting from supply constraints related to the ongoing Middle East conflict. In Chemical Intermediates, spreads expanded significantly as prices increased due to the Middle East conflict and we leveraged our advantaged U.S.-based cost position and feedstock supply.

EBIT increased due to sales volume/mix growth in the specialties and improved price-cost, particularly in Chemical Intermediates. In Advanced Materials and Additives & Functional Products, price-cost was modestly positive. Improved asset utilization resulted from improved operations compared to the first quarter but was more than offset by higher planned maintenance costs.

EBIT was ahead of our original expectations, with strong performance in both Chemical Intermediates and Additives & Functional Products. In Chemical Intermediates, we responded aggressively to market tightness caused by the Middle East conflict and supply disruptions, resulting in substantially higher spreads. Advanced Materials delivered strong results that were in line with expectations. In Additives & Functional Products, we delivered volume growth from share gains and increased prices from cost-pass-through contracts, which more than offset higher raw material and distribution costs. While sales volume/mix was stronger than expected, this benefit was offset by less favorable asset utilization. During the quarter, we proactively lowered finished-goods inventory across the company by approximately $50 million to offset raw material purchases made to secure supply due to the Middle East conflict.

Slide 5 – Advanced Materials

In the second quarter compared to the first quarter, revenue increased 14 percent, driven by 11 percent higher sales volume/mix, and 3 percent higher selling prices. The higher sales volume/mix was driven by innovation enabling growth above weak underlying markets, the ramp up of volume from the Kingsport methanolysis facility, and some seasonal increases. Higher selling prices were driven by higher raw material and distribution costs resulting from the Middle East conflict.

In performance films, the business delivered strong sequential volume growth in a tough automotive market. In China, the team is expanding into the mid-tier market to drive share and penetration beyond premium autos and leveraging our new low-cost facility in China.

We also continue to grow in our head-up display interlayers, where we are improving our product mix and growing above the underlying build rate in premium vehicles. Growth in advanced interlayers provided resilience in an overall auto market that is under pressure.

And finally, in specialty plastics, we continue to grow with historical Tritan customers like SharkNinja and Capital Brands as they launch new products. We are also continuing to build momentum in new applications, especially in Europe where BPA-containing polymers are an increasing focus of regulations.

EBIT increased due to strong volume/mix growth. Price-cost was slightly favorable as the teams did a good job implementing price increases in specialty plastics to offset higher raw material and distribution costs. EBIT also benefitted from a sequential improvement in asset utilization, although not as much as originally expected as we depleted finished goods inventory to offset our procurement of additional raw materials for security of supply for our valued customers.

Looking ahead to the third quarter, on a sequential basis, we expect similar to slightly lower volume/mix as innovation-driven volume growth across the segment, including from the Kingsport methanolysis facility, will be more than offset by seasonal declines across our markets. We also expect price-cost to be favorable as we continue to fully realize the value of our pricing actions in the first half. In addition, we expect to benefit from improved asset utilization rates after carefully managing inventory in the first half. Compared to our previously shared shutdown schedule, we have pulled forward some of our typical shutdown activity in the fourth quarter into third quarter as we optimally plan our operations to minimize costs. This action results in a $10 million sequential shutdown cost headwind in third quarter compared to second quarter and creates a tailwind into the fourth quarter. When putting these factors together, we expect Advanced Materials third-quarter EBIT to be higher compared to second-quarter EBIT.

Looking at full-year 2026, our outlook for Advanced Materials is largely consistent with what we outlined in April and continues to point to a stronger second half of the year. We continue to expect the circular platform to be a key growth driver in Advanced Materials, with momentum building through the end of the year. More broadly, the segment will continue to benefit from innovation-driven application wins and delivering above-market growth. The second half compared to the first half is also expected to benefit from improved asset utilization. We also expect price-cost to be favorable as we fully realize the benefit of our pricing actions. On a full-year basis, we expect to benefit from favorable currency exchange rates.

Headwinds include continued weakness in underlying demand for consumer discretionary end markets. Taking all of these factors together, we expect Advanced Materials to deliver significant year-over-year EBIT improvement in 2026, consistent with what we expected in January.

Slide 6 – Strategic momentum continues in circular platform

Moving to our circular platform, we continue to build strategic momentum despite the challenging macroeconomic environment. Renew revenue in the first half doubled compared with the prior year, with the majority of the growth coming from consumer durables, cosmetics, and beverage packaging. Given the ongoing weakness in consumer discretionary markets, we now expect Advanced Materials revenue growth from the circular platform to be greater than $100 million for 2026 which is modestly below previous expectations. Importantly, we continue to ramp volume and build a strong pipeline of customer wins, positioning the platform for meaningful growth again in 2027.

The diversity of our value propositions continues to drive customer adoption. Renew is helping customers gain share in traditional applications such as cosmetics, food storage, and small appliances and driving growth in newly BPA-regulated European markets such as bulk water and restaurant food prep. Brands like Rubbermaid, Yeti, and Dior are putting new products with Tritan Renew on the shelves. Renew is also enabling leading CPG brands to continue scaling their use of recycled content to meet their sustainability commitments without any compromise in quality. Finally, the volatility in oil has reinforced our value proposition of greater price stability relative to fossil feedstock volatility.

Operationally, the Kingsport methanolysis facility continues to perform very well, demonstrating the potential to operate well above its original design capacity. We are proud to bring online the needed capacity in Tritan™ to support growth in the second half of the year. We also continue to evaluate several capital-efficient options to scale the platform and leverage existing infrastructure, combined with our industry-leading technology and commercial excellence. We are also evaluating opportunities to optimize our existing lines to support additional growth with other consumer packaging customers. Taken together, this progress reinforces our confidence in the long-term growth and earnings potential of our circular platform.

Slide 7 – Additives & Functional Products

In the second quarter compared to the first quarter, sales revenue increased 9 percent due to 5 percent higher selling prices and 4 percent higher sales volume/mix. Higher selling prices were driven by higher raw material and distribution prices. The Additives & Functional Products commercial teams did a great job implementing pricing and realized a modest benefit from their actions relative to the timing of cost flow through. Sales volume was higher primarily due to incremental share gains driven by global supply chain disruptions.

EBIT increased due to higher sales volume/mix and improved price-cost. These factors were partially offset by higher planned maintenance expense.

Compared to our original guidance, Additives & Functional Products delivered stronger results on the topline and bottom line, with sales volume/mix and price-cost both coming in ahead of expectations.

Looking ahead to the third quarter, we expect a normal seasonal decline in the agriculture end market and continued weakness in building and construction. Price-cost is expected to be positive due to the timing of cost-pass-through contract price adjustments. We also expect to have lower planned shutdown costs and benefit from cost reduction initiatives. When putting these factors together, we expect third-quarter EBIT for Additives & Functional Products to be modestly lower compared to second quarter.

For the full year, we continue to expect growth in stable end markets with discretionary end markets remaining weak. Demand in agriculture continues to be solid, with a normal second-half seasonal decline in demand. We also have an approximately $20 million headwind from some discontinued agriculture products. We also expect to drive growth from innovation in markets including semiconductors with our ultra-high purity Eastman EastaPure™ solvents, pharma for GLP-1s, and aviation. This net volume/mix growth will offset the headwinds of some discontinued agriculture products. We expect price-cost to be a tailwind as we more than offset higher raw material and distribution costs with higher selling prices. We also expect to benefit from favorable foreign currency exchange rates. When putting these factors together, and considering the segment’s strong first-half performance, we expect full-year 2026 adjusted EBIT to be modestly higher than 2025.

Slide 8 – Fibers

In the second quarter compared to the first quarter, sales revenue increased 8 percent, driven by higher sales volume/mix as expected. The higher volume/mix was driven by increased sales for acetate tow.

EBIT decreased as higher sales volume/mix was more than offset by higher-than-expected costs. Compared to our original expectations of an approximately $5 million sequential headwind for planned shutdown costs, we had an additional headwind of approximately $10 million driven by higher planned shutdown costs as well as elevated costs associated with logistics to serve customers in connection with the Middle East conflict.

Looking ahead to the third quarter, we expect improved sales volume/mix as acetate tow customers ramp up purchases to move toward purchasing the low end of their annual contract commitments. We also expect lower shutdown expenses and higher utilization rates to serve the stronger demand. When putting these factors together, we project third-quarter adjusted EBIT to be significantly higher than second-quarter adjusted EBIT.

As we reflect on the full year, compared to our previous guidance range we now expect that the textiles market will not recover in 2026. This is resulting in an approximately $15 million headwind relative to our April guidance. In addition, we will not recover the additional operating costs in the second quarter. Finally, the uncertainty of the Middle East conflict may put demand in the region at risk. When putting these factors together, we now expect full-year adjusted EBIT to approach $200 million.

Slide 9 – Chemical Intermediates

Looking at the second quarter compared to the first quarter, revenue increased 30 percent driven by 19 percent higher selling prices and 11 percent higher sales volume/mix. Both higher sales volume/mix and higher selling prices were due to market tightness created by the supply disruptions. The Chemical Intermediates team did a great job reacting in real time to a highly dynamic market and leveraging our advantaged, integrated, U.S.-based asset footprint to serve those tightening markets.

EBIT increased strongly due to higher spreads and improved volume/mix, partially offset by higher planned shutdown expense. Compared to our original guidance, EBIT was ahead of expectations, mostly driven by better spreads and better volume/mix as the market tightness related to the Middle East conflict persisted throughout the quarter.

Looking ahead to the third quarter compared to the second quarter, expectations for continued market tightness remain highly uncertain. Current spreads are moderating from their second-quarter peak levels but remain strong. We also expect seasonal volume/mix declines, partially offset by modestly lower shutdown expense. When putting these factors together, we project that third-quarter EBIT will be lower compared to second-quarter EBIT.

Slide 10 – With Middle East conflict persisting, our playbook remains unchanged

With the Middle East conflict continuing to create significant uncertainty across global markets and supply chains, we continue to execute the same playbook we outlined last quarter. We remain on track with approximately $500 million of price increases across the company and have successfully managed price-cost in our specialty businesses while expanding spreads in Chemical Intermediates. Our significant U.S.-based asset footprint, vertical integration, and global reach continue to be important advantages, enabling us to reliably serve customers through a dynamic environment. We are also maintaining a sharp focus on cash generation and expect to deliver solid operating cash flow, supported by the release of working capital in the second half. Through this continued volatility, we will maintain our disciplined approach to controlling costs and allocating capital while positioning the company to capture opportunities as market conditions evolve.

Slide 11 – 2026 outlook

Turning to our 2026 outlook, our focus remains consistent with what we outlined in April, and we've entered the second half of the year with solid momentum.

Starting with the tailwinds, our innovation-driven growth model remains the primary driver of growth across our specialty businesses. We expect to deliver solid revenue and earnings growth from our circular platform this year, and we are proud to deliver these results in a tough environment. We are also realizing above-market growth in the automotive end market in our films businesses and solid wins in Tritan in specialty plastics. In Additives & Functional Products, we continue to drive growth in Eastman EastaPure™ ultra-high purity solvents for semiconductors, pharma for GLP-1s, and in aviation fluids. In addition, our specialty businesses are maintaining price increases to offset higher raw material and distribution costs and expect to achieve incremental benefits in the second half as we realize the full value of our pricing actions. In Chemical Intermediates, the ongoing Middle East conflict continues to support expanded spreads, although second-half spreads are expected to be lower than second-quarter levels. In Chemical Intermediates, we also continue to substantially benefit from increased volume/mix from lower shutdown activity. Our cost-reduction actions also remain on track to deliver $125 million to $150 million of savings, net of inflation, building on the actions we took in 2025. In addition, we now expect a foreign currency benefit of $40 million to $50 million. We are maintaining our disciplined approach to capital expenditures and continue to expect spending of approximately $400 million in 2026, about $150 million below last year.

At the same time, underlying consumer discretionary demand remains challenged. Automotive industry forecasts continue to indicate a low-single-digit decline in OEM production, and we are not expecting improvement in building and construction or consumer durables this year. There is also uncertainty around how inflation resulting from the Middle East conflict could affect end-market demand. In Fibers, we continue to expect a modest decline in pricing and higher energy headwinds. We also now expect a lack of recovery in the global textiles end market and challenges in serving tow customers in the Middle East region. Variable compensation expense also remains a year-over-year headwind as it resets to a normal factor. When considering all the factors together, we continue to expect second-half earnings to be higher than first-half earnings, and we expect to deliver strong earnings growth in 2026 compared to 2025. We have also slightly moderated our expectations for operating cash flow, mostly due to higher accounts receivable. Our updated outlook is for operating cash flow to approach $900 million. For the balance of the year, we will maintain our discipline on working capital and particularly inventory. Higher accounts receivable is being driven by our continued expectation for strong revenue growth through the end of the year.

Looking specifically at the sequential third-quarter 2026 outlook and starting with Advanced Materials, where we expect EBIT to be higher. Price-cost is expected to be favorable as we benefit from higher selling prices catching up to higher raw material and distribution costs. Volume is expected to be similar to slightly below second quarter as innovation driven volume growth across the segment, including from the Kingsport methanolysis facility, will be more than offset by seasonal declines across our markets. We also expect to benefit from an asset utilization tailwind. In addition, we expect higher earnings in Fibers as acetate tow volume increases. Additives & Functional Products earnings are expected to decline modestly due to seasonally lower volume, particularly in the agriculture market, partially offset by price-cost improvement. Chemical Intermediates earnings are expected to decline as the impact of supply chain disruptions lessens. When putting these factors together, we project third-quarter adjusted EPS to approach second-quarter 2026 EPS of $1.97.

Forward-looking statements