



2004

Eastman Investor Day

Allan Rothwell

Executive Vice President,
Eastman Chemical Company and
President, Voridian Division

Voridian Division

- Leading global manufacturer of acetate tow
- One of the top three global manufacturers of acetate yarn
- Portfolio of unique, high-performance polyethylenes (PE)
- World's largest producer of polyethylene terephthalate (PET) for packaging





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PET Growth Story

What Are Our Customers' Needs?

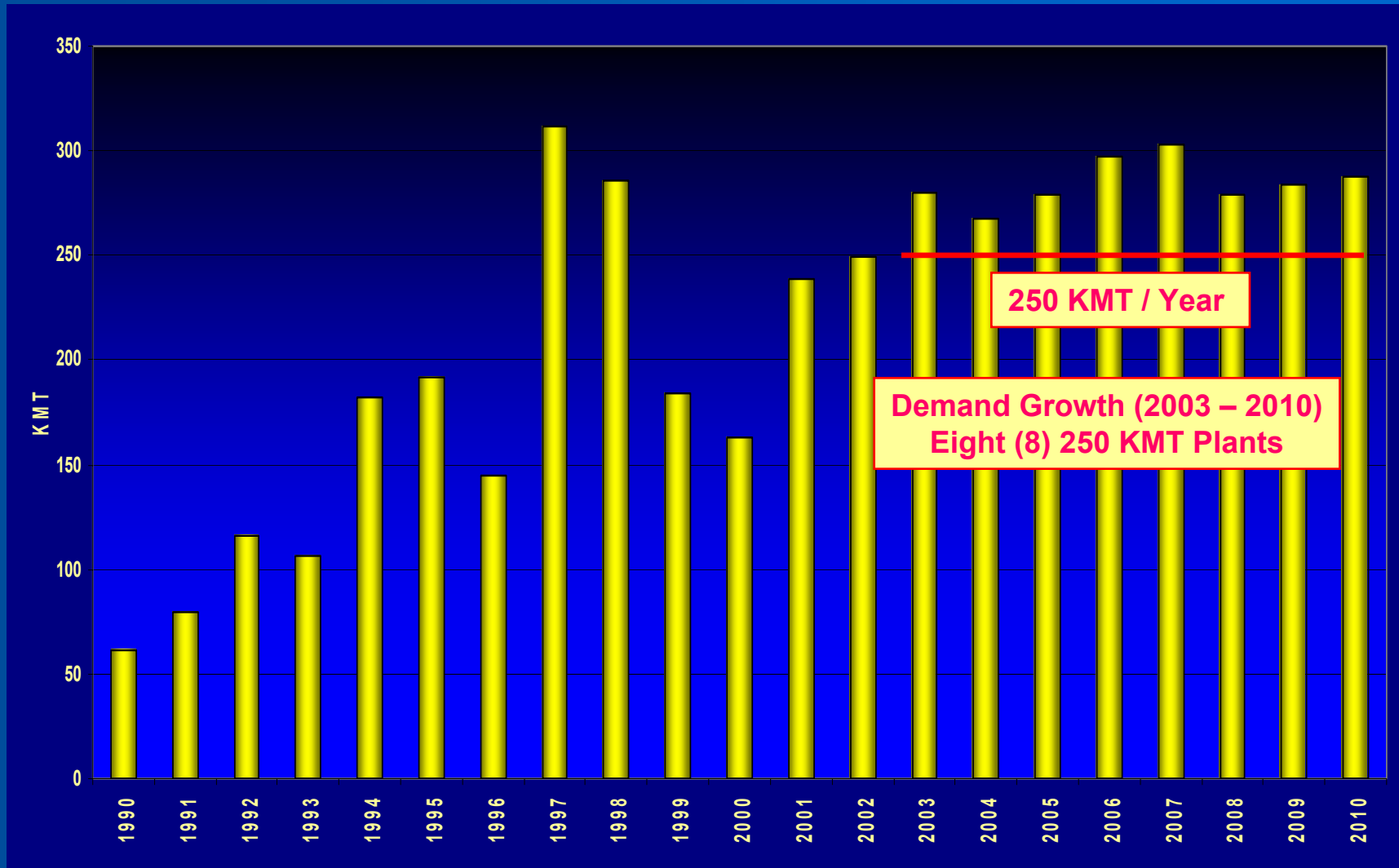
- ✓ Capable, Committed Resin Supplier
- ✓ Reliable Supply
- ✓ Competitive Price
- ✓ Innovation



PET Demand Growth Generation



North America – Annual PET Resin Demand Increase



Source: SBA-CCI, August 2004

The North America PTA / PET Business

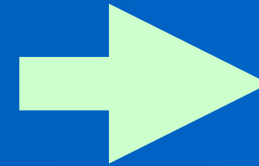
The PET Industry

The Non-Integrated Player

IPA

PTA

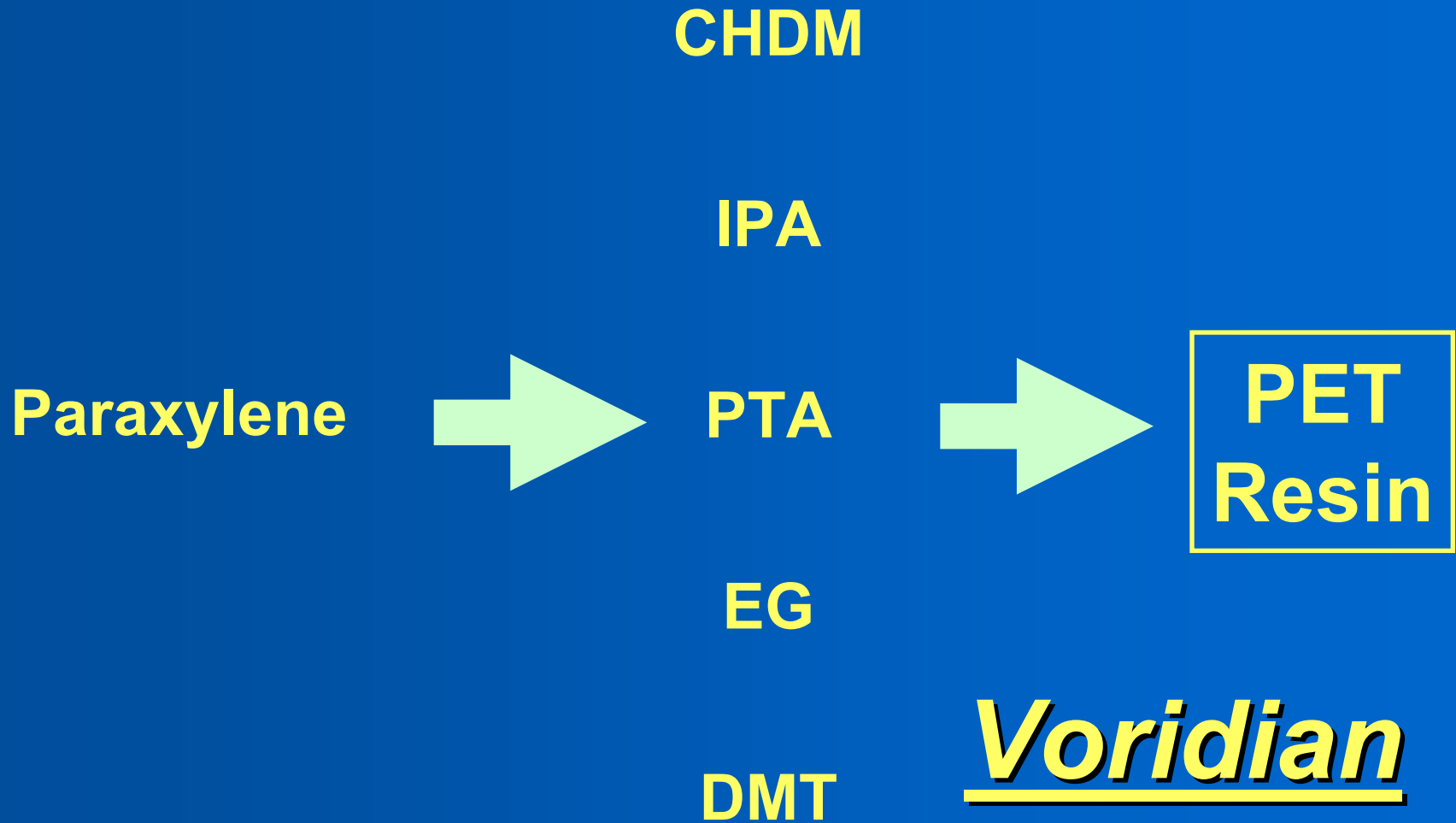
EG



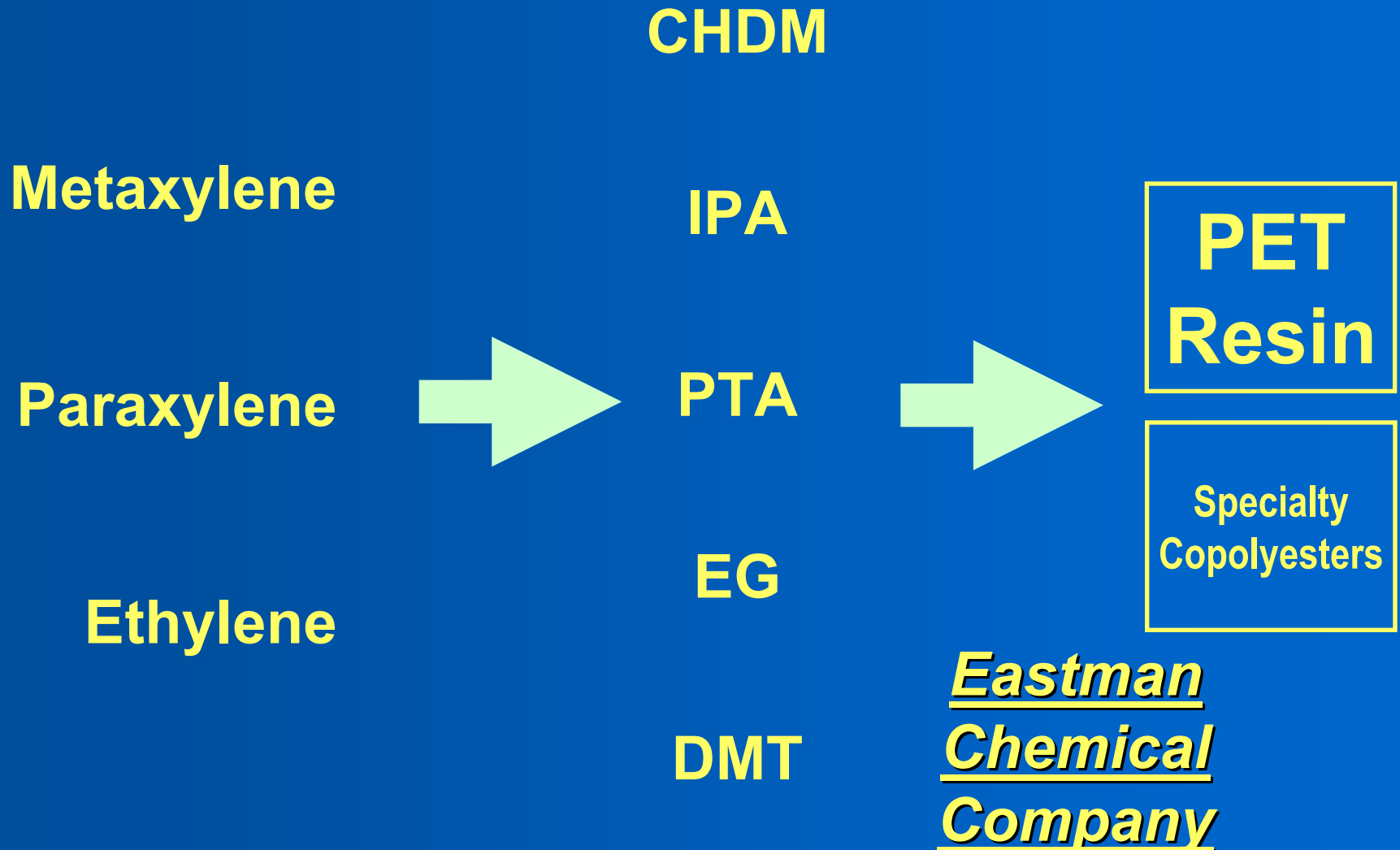
**PET
Resin**

**(Polyester
Fiber)**

The Integrated Player



The Integrated Player



North America PTA / PET Business

PTA

- Four N.A. PTA producers
- Good margins for producers
- Three merchant players

PET

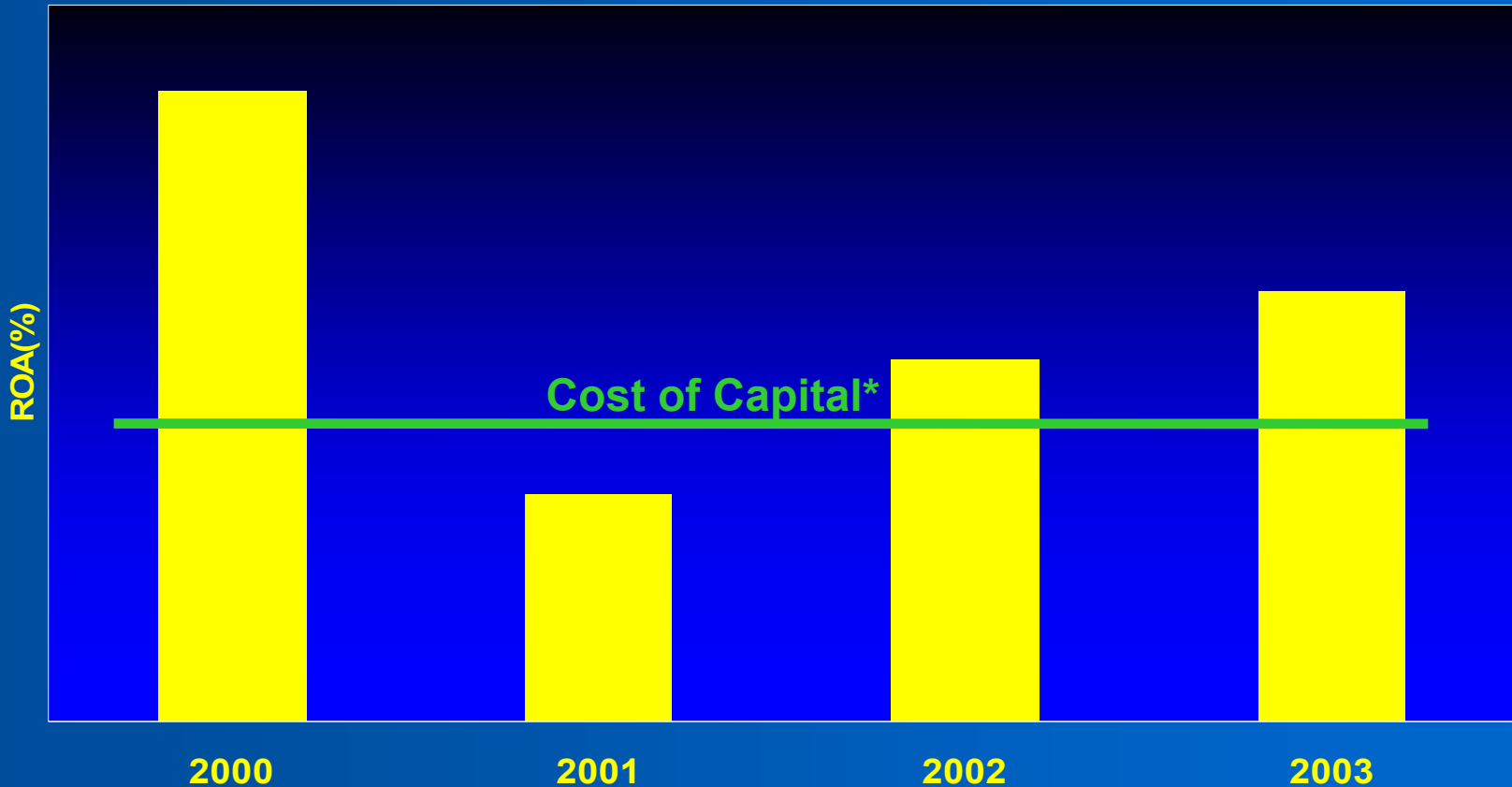
- Seven N.A. PET producers
- N.A. is the highest cost destination for Asian importers
- N.A. capacity utilization: ~90%



The North America Market is Attractive to an *Integrated* Producer

Return on Assets

Voridian North America PTA / PET Business

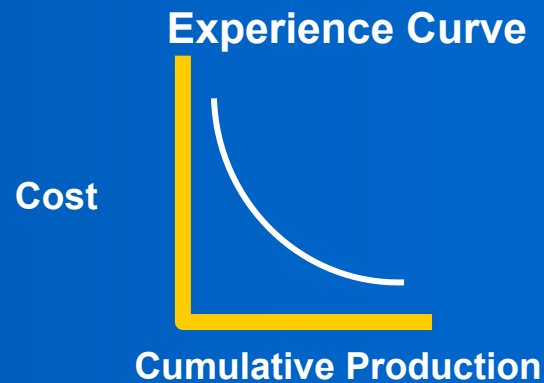
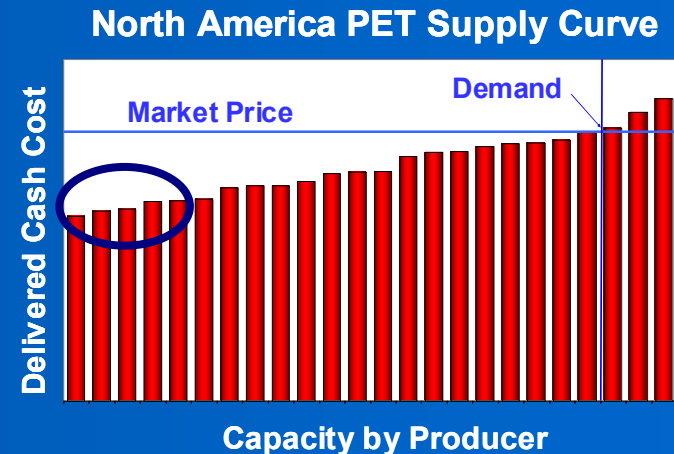


* ROA required to return cost of capital for Eastman Chemical Company

Commodity Business Fundamentals

Success Factors

- Price is determined by marginal producer - low delivered cost required for success
- Moving down the experience curve
 - Scale
 - Technology / Innovation
 - Learning
- Discipline to manage supply curve by rationalizing / converting high cost capacity



**Voridian
Opportunity**

Voridian's Competitive Advantage:

- Integrated PX to PET Resin
- Heritage of process innovation
- Broad R&D capability



IntegRex Technology



2004 Eastman Investor Day

The *IntegRex* Technology Development Story



IntegRex Technology

- Enables Voridian to build a world-scale, cost-advantaged PX to PET manufacturing facility
 - ✓ Multiple process innovations
 - ✓ Reduction of energy, labor, process steps, and equipment
 - ✓ Elimination of the solid stating process



IntegRex Technology

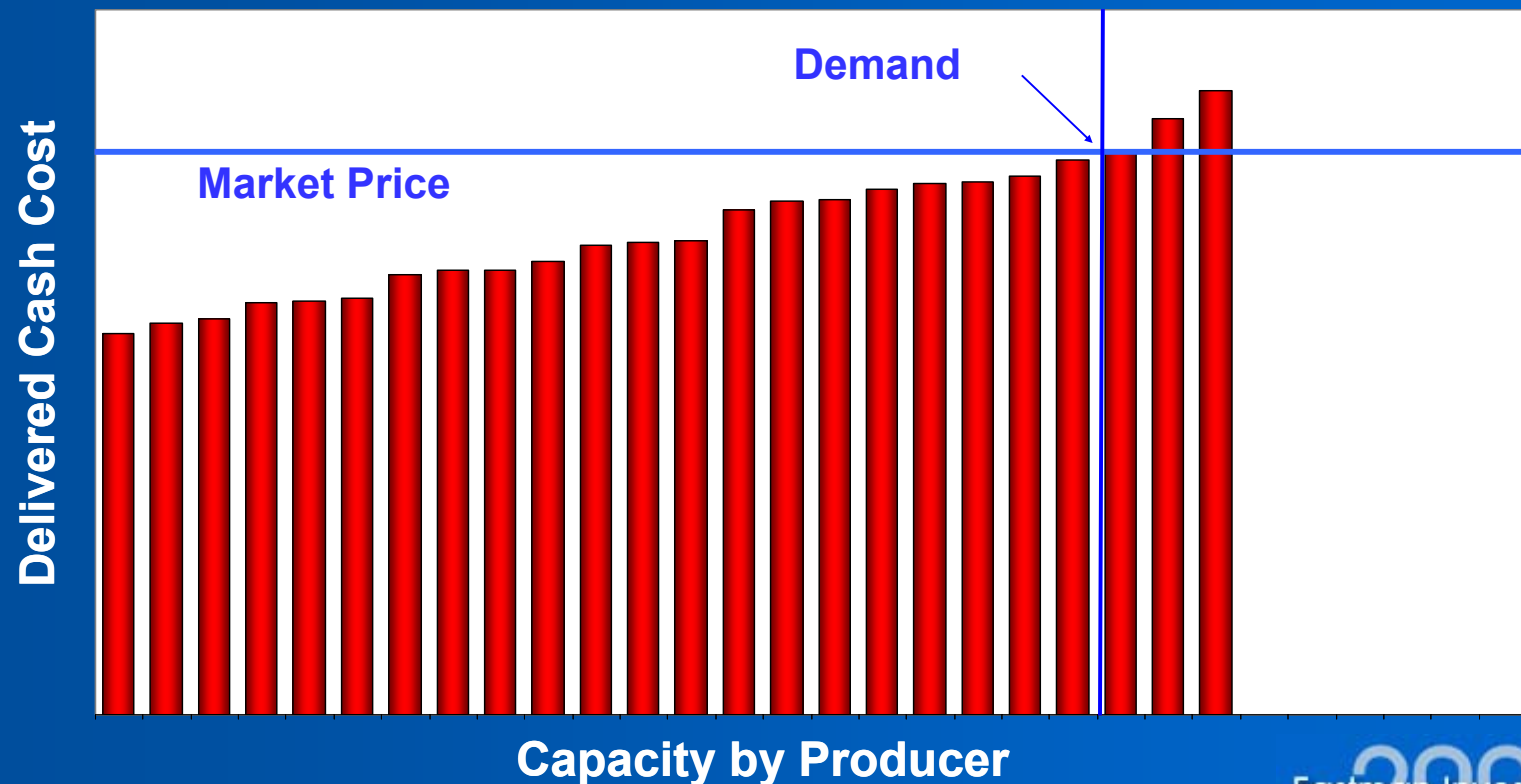
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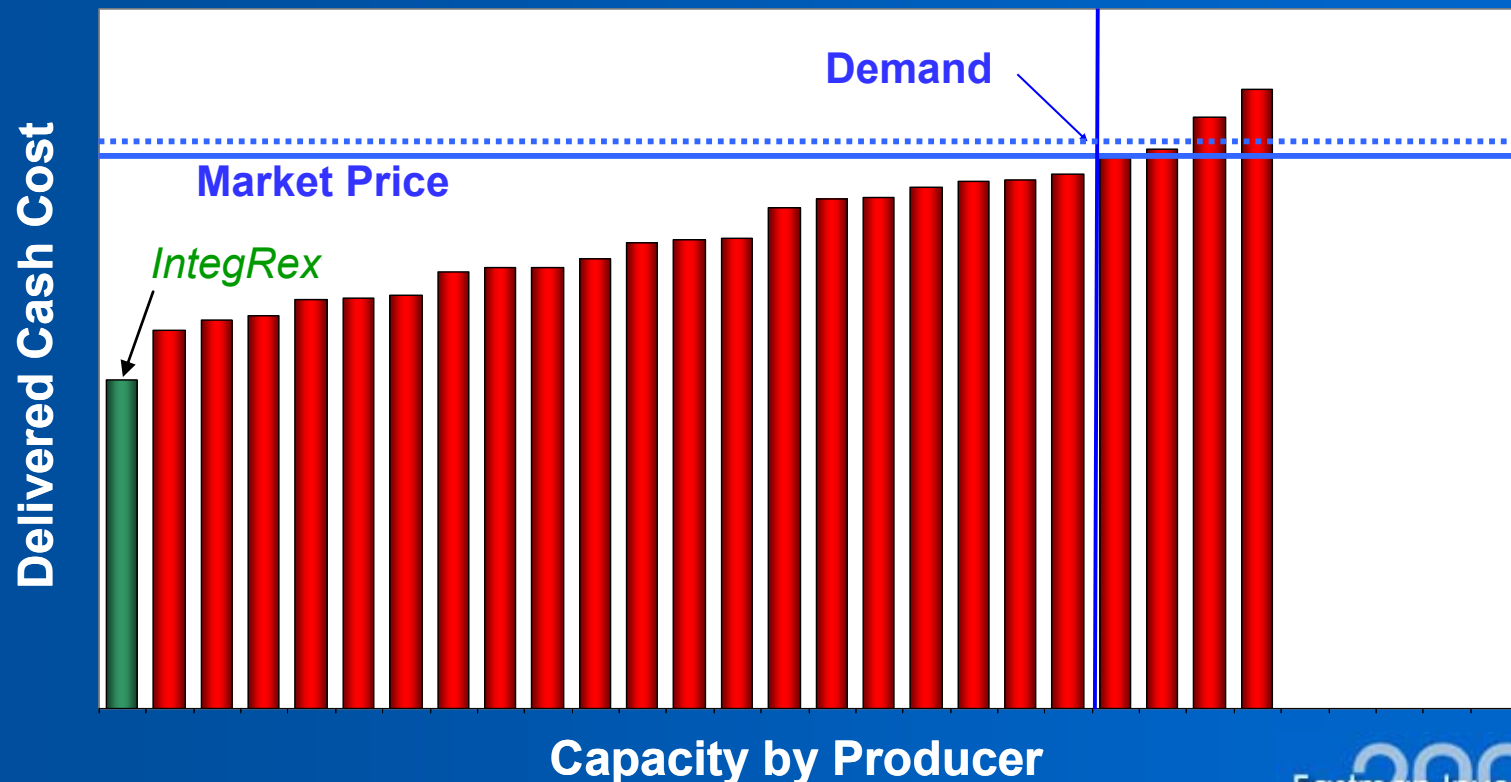
North America PET Supply Curve



IntegRex Technology

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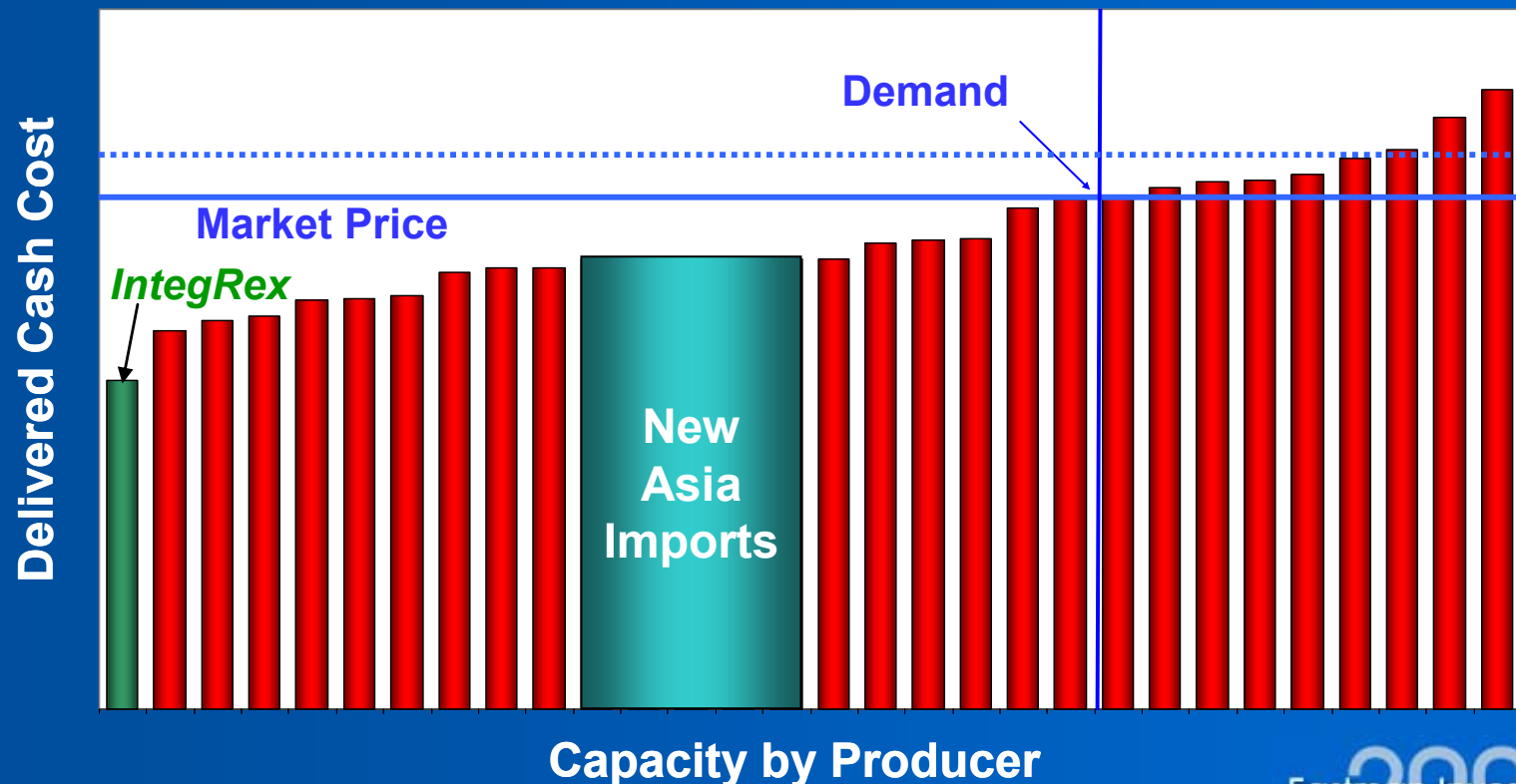
North America PET Supply Curve



IntegRex Technology

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North America PET Supply Curve



***IntegRex* Technology**

- **Doable**
 - Technology proven with multiple pilot plants
 - Semi-Works plant allows for pre-start-up customer qualifications
- **Sustainable**
 - Over 100 patentable innovations expected
 - Each application in multiple regions

PET Business Strategy

- Customer Value Proposition

- Enable the growth of PET converters and global brand owners through the reliable supply of competitively priced PET with consistent quality and delivery

- Key Strategy Elements

- Operational and commercial excellence combined with aggressive cost management
- Remain on the leading edge of the experience curve
- PX => PET for non-fiber applications
- Leverage PTA position
- Initial focus on NA => attractive growing market

PET Business Strategy

- Technology Driven Pursuit of an Advantaged Position
 - *IntegRex* = sustainable advantage
 - Continuing technology investment
 - Aggressive intellectual property portfolio

- Investor Value Proposition
 - Sustainable returns above cost-of-capital on new investment

Initial *IntegRex* Technology Investment

- **350 KMT PET Plant & PTA Retrofit**
 - In excess of \$100 M total investment
 - Spending within corporate CAPEX commitments
- **Voridian Columbia Operations in Calhoun County / Columbia, South Carolina**
- **Construction to begin January 2005**
- **Capacity on-line in Q4 2006**
- **Voridian PET asset rationalization / conversion of at least 100 KMT by 2006**

IntegRex – A Breakthrough Technology

- Low capital cost – 50% footprint
- Lowest cash conversion cost in North America

Initial Investment – Columbia, SC

- North American market is attractive to an Integrated producer
- This investment is especially attractive because of the PTA retrofit
- Enables specialty polyester strategies