Exciting period of growth and transformation at Eastman.
Eastman has built a solid foundation of specialty businesses that deliver 70 percent of our earnings.
Our innovation-driven growth model underpins the strategies of our specialty businesses.
This purpose of this presentation is to show how we create our own growth and ensure it is sustainable in both Advanced Materials and Fibers.
I encourage you to take the time to read through our second slide
We have transformed our Advanced Materials business and applied our innovation-driven growth model to deliver superior value creation.

Over the past seven years, we have translated 14 percent compounded annual revenue growth into 27 percent annual earnings growth.

During that same time, our EBIT margin has doubled.

We plan to continue delivering superior growth results by focusing on compelling opportunities for innovation.
- It starts with targeting markets and applications where disruptive macro trends are poised to drive rapid growth.
- It becomes a compelling opportunity when we apply our innovation-driven growth model to deliver a material solution that commands a premium price and grows at 2-3x the market growth rate.
- Let’s take a journey through head-up display technology in vehicles to illustrate this further.
• Exciting potential in the auto industry to create a superior driver experience through innovation, especially in safety.
• Much progress has been made in reducing fatalities and serious injuries through passive safety devices to help protect occupants in a crash;
• Today, the industry is increasingly investing in active safety devices like lane departure warning systems and back up cameras to help reduce accidents
• Head-up display (HUD) technology enables the projection of critical information on the front windscreen so that drivers can access the information and keep their eyes on the road.
• This is an exciting opportunity that creates real value for the OEM when the average margin on cars is declining.
• HUD is a challenging technology. Essentially, the screen is two pieces of glass with a PVB film in between, which is not an ideal surface for displaying a high-quality image.
• The solution is a windscreen made with an interlayer film that is a wedge to ensure that the secondary reflection is redirected at an angle so that it overlaps with the primary image.
• HUD windshields are more expensive because they are difficult to design and costly to manufacture.
• Eastman’s PVB interlayer film is challenging to manufacture and critical to delivering superior image quality, and as a result, our price is roughly 5x that of our standard interlayer film for automotive.
Through our differentiated application development (AD) capability, we help our customers translate complexity into value.

We have invested in developing new application testing methods that enable deep understanding so that we can be a partner to our customers in everything from the design to the manufacture of their products.

Many of our agreements include contractual commitments around driving improvement in process and yields.

Our investment in AD enables us to understand what will be needed as the technology evolves and new challenges arise.
Ghosting is a challenge that impacts image clarity and is most problematic in vehicles with complex windscreens and HUD packages.

With 90+ years of experience in extrusion and laminated glass, coupled with extensive experience in optical light management associated with supplying display films for wide-screen TVs and mobile devices, we were uniquely positioned to deliver a solution.

Nippon Sekei, a leading projector manufacturer, and NSG Pilkington, a leading laminator, agreed and chose to partner with us to solve the problem of ghosting.
• We start with our new product concept we had been working on in our Eastman labs to create a laminate with multiple angles
• We then translate this concept into a next generation tri-layer interlayer – a multi-angled wedge film, each tuned to provide a clear image across a wide range of driver heights
• Our application development team put their concept to a physical test with windshield samples produced by NSG.
• The testing confirms that our unique tri-layer interlayer is a great landscape for a crystal-clear display that corrects for all image disparities, no matter the height of the driver.
• We discussed our solution with industry-leading auto OEMs, and in September 2017, we launched Saflex View ST™
• Saflex View ST™ is in consideration for two new 2018 platforms – one for a luxury sedan with a complex windscreen and one for an SUV with a large windscreen. It is also in evaluation for a broad range of 2019 and 2020 platforms.
• Finally, our lead scientists were just awarded a very prestigious award for their work on this innovation, the SAE Ralph H. Isbrandt Automotive Safety Engineering Award.
HUD is an example of Eastman’s innovation-driven growth model at work. Our world-class position in PVB technology enables us to continually introduce new products to meet the evolving needs of the marketplace. This innovation is further enabled by the extensive application development capability we’ve built in lamination and our broad experience in display technology in our Specialty Plastics business. We are also deeply engaged with our customers on the plant floor and across the industry to co-innovate the solutions demanded by leading OEMs and consumers. Just 10 years ago we introduced our first acoustic interlayer technology, Saflex Q Series. Then, acoustic laminated glass was only offered as an option on the highest end cars, as it was challenging and expensive to manufacture. Today, acoustic laminated glass is standard in one out of every three vehicles, from the Ford Focus to the Mazda CX-9, to name a few. We see a similar future for HUD as this premium product is growing at 10X the market.
Translating this type of niche innovation into a compelling growth equation in our $500 million interlayers automotive business starts by serving markets with solid demand drivers.

Automotive builds have outpaced GDP over the past several years.

Furthermore, the trend toward using laminated glass in areas beyond the front windscreen is adding about 100 basis points of growth.

The mix upgrade we get from our market development and innovation programs is a key ingredient for driving superior growth. Our programs address significant industry drivers and therefore are sold at premium prices and grow at multiples of the underlying market.

As we grow these new products we begin to gain scale and experience. Our fixed costs have decreased as we gain scale and optimize and we have a similar story on yields as we move up the experience curve.

The bottom line is that we translate 2-3% market growth into superior earnings growth.
• Advanced Materials is made up of a portfolio of differentiated engineering polymers and specialty films businesses that all have a business model focused on delivering material solutions to end-markets.
• These businesses are positioned to drive downstream market development for their solutions as they have a great degree of control of the functionality delivered in an end-use application.
• We serve a broad range of end markets where we leverage macro-trends to drive growth above the market average.
• We also have geographic diversity with more than 60% of our revenue from outside North America. Sales in Asia are almost equivalent to North America which is not something you see in a lot of specialty businesses.
• We also have a good split across product lines.
We leverage our diverse footprint to identify disruptive macro trends that will drive growth of 2-3x industrial production.

We capitalize on all the key macrotrends, but have especially benefited from consumer desires for improved health and safety and the growth of the middle class.

We also spend a lot of time and effort segmenting the market and carefully selecting the right alpha partners to drive innovation and change.

We are translating this approach into results.

- We have dramatically increased customer calls, which has translated into a 23 percent increase in opportunities won
- These wins are driving superior topline growth of our premium products.

When you look at the top industries we serve and compare the market growth with the growth of our core and premium products, it tells a very impressive story of creating our own growth.
Deep understanding of the market segments is critical for driving category growth. Therefore, we invested in extensive primary market research to understand consumers. Equally important, we invested in understanding how to best reach them.

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<th>Where they live</th>
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| Demographic attributes | Age, employment, household income | - Geographical attributes
- Behavioral attributes
- Car brands, car enthusiasm
- Research habits
- Lifestyle |
• Finding a dealer that consumers will trust to apply a film to their vehicle is a challenge.
• These concerns only get amplified when a consumer is considering paint protection film.
• Consider that the installer not only has to stretch and smooth the film across the paint to get all the bubbles out and get appropriate adherence, they have to use an exacto knife.
This is why we’ve worked with our dealer network to establish elite dealers who provide differentiated service to consumers from consideration through installation.

This starts with an integrated marketing approach designed to educate interested consumers about our automotive film products and drive leads to our dealer network.

We then go to great lengths to ensure our elite dealers engage potential customers with the professionalism they expect, which includes exterior brand standards.

As a result of our efforts, we were recognized as the “2017 Manufacturer of the Year” at SEMA in October, which is the premier aftermarket auto parts trade show in the world.
We have also worked to activate a new channel through car dealerships. As you might imagine, the best time to get someone to choose to purchase a window film or paint protection film is at the time of purchasing the vehicle. In a span of a few years, we have increased our car dealership by 112 percent. Through our creative marketing and dealer programs, we have significantly expanded our addressable market from the people who historically would make the effort to go to an aftermarket tint shop. To sustain this growth, our teams continuously help these dealerships drive same store growth.
Less than a year ago, AutoNation made the decision to build a national aftermarket accessory program called AutoGear and LLumar™ was selected to be the exclusive provider of window films to their dealerships across the nation.

When selecting LLumar™, AutoNation cited our superior reputation for quality but indicated that the real differentiator was the quality of our team and their commitment to each of the AutoNation stores’ success in this new category.
• Eastman is able to win in this space because we deliver a superior product that has the quality and durability required in these applications.
• The foundation for this success is our deep capabilities in polyesters and coatings deposition.
• Our real differentiator is the integration of these technologies with our expertise in multi-layer film structures that is underpinned by our in-depth experience in adhesives and functional films.
• This expertise is not only critical to producing a high-quality product, but it is essential in producing computer generated patterns that will have the precision when stretched across a car to reduce or eliminate the need for significant manipulation and trimming.
• The combination of technology and application development with our sales and marketing creates a great specialty business that’s growth is underpinned by premium products growing at 4x the market growth rate.
In addition to engaging the market, we must develop **and** demonstrate solutions with compelling value propositions.

Therefore, we continue to invest in building world-class application development capabilities, which for us is the ability to simulate our customer’s environment.

Today we have the ability to simulate a wide range of extrusion, injection molding and laminating processes.

Equally important, we have the ability to do the in-house fitness-for-testing our customers perform.

We have continued to increase the percentage of our R&D budget we spend on application development, which has led to our customers turning to us on co-innovation programs.

Our increased investment also underpins strong momentum in the value of our innovation portfolio with almost a 2x improvement in the discounted value of our portfolio.
The healthcare industry has a complex value chain with real, material challenges.

Hospitals use cutting edge medical devices made from plastic every day to deliver care to the patients they serve.

These devices must perform in a challenging environment and they are increasingly designed for mobility and are used by healthcare professionals under immense time pressure.

Add these together and these devices face a lot of abuse each day.
Another complication is that healthcare-associated infections, or HAIs, have been on the rise.

HAIs are a significant cause of illness and death – at one point, 1 out of every 25 inpatients was susceptible to an infection related to hospital care.

Thus, more aggressive cleaning protocols have been implemented.

The good news is that HAIs are declining; however, medical devices are collateral damage in this battle.
• The housings and hardware that protect vital medical technology are failing prematurely, and these failures result in costly repairs or replacement.
• The problem is complex. Are the disinfectants the issue? The materials of construction? The cleaning protocols? Fortunately, within Eastman we have a history of addressing chemical resistance and durability challenges.
• In the summer of 2015, we set out to learn more by traveling to hospitals, and seeing the magnitude of the problems and opportunities for ourselves.
• At one of the hospitals we visited, they had more than 80 patient monitors with housings which had cracked, fogged, discolored – all from exposure to disinfectants.
Our team also went to industry conferences and conducted surveys to better understand the situation.

They heard from people like Richard Fetcher, Principal Development Engineer, University of California San Francisco Medical Center, about how the landscape for infection control was changing, and the impact it was having on devices.

We also heard lots of frustration about the lack of understanding of the real problem.

Too often, quality engineers were classifying failures as rough treatment of the devices or inappropriate cleaning, but we knew many of these failures were actually connected to material selection.
Fueled by the insights we gained in the field, our technology leaders got to work.

We knew we needed a co-polyester that was flame retardant and highly resistant to chemicals.

Based on our TMCD technology, we came up with a new medical co-polyester that stands up to everything the intense cleaning protocols could deliver.

In head-to-head testing with the primary polymers used in the market today (Polycarbonate/ABS, Polycarbonate/PBT, and others), Eastman™ MXF 221 copolyester surpassed their performance on every dimension.

However, in a highly regulated market, we knew users would be reluctant to accept a single manufacturer’s data.
Therefore, we partnered with Clorox Healthcare and together we refined our 4-step test to create a standard process for testing device housings to see how they stand up to hospital cleaning protocols.

As a result of our extensive work in the field and the lab, we have opened up a whole new dialog with medical OEMs.

Today, we are working on more than 150 opportunities for medical device applications, which is extraordinary progress for a highly regulated market such as medical devices.
Our journey in medical is another powerful example of our innovation-driven model fueling our growth and industry leadership.

Key to our success has been our investment in application development, allowing us to do actual testing on housings to understand the interaction between mechanical stress and degradation from chemicals.

Again, another example of a premium product growing at 3x the market growth rate.

We are also incredibly proud of our efforts to help the medical industry reach its ultimate goal of reduced healthcare associated infections and fewer device failures.
The examples I shared today are three programs in a rich portfolio of innovation programs. Collectively, these programs are making a material contribution to revenue today and will have an increasing impact on the topline over the next three years. Almost all of our programs have margins well above the corporate average which will further fuel our mix upgrade. And, all these programs are focused on large addressable markets and leverage disruptive macro-trends, which gives me a high degree of confidence that we can deliver the targeted growth.
We have a winning equation for translating our innovation programs into superior earnings growth in this $2.5 billion segment.

Our equation starts with serving markets with solid demand drivers.

Key to our success is the intense focus we have on continually upgrading our mix. We are focused on compelling innovation programs that command a premium price and grow at multiples of the underlying market.

The final component is fixed cost leverage. This has been a major contributor as we scaled up programs like Tritan on large assets.

The bottom line: we are translating market growth of 2.5 percent into earnings growth of 7-10 percent.
I’d like to now share a brief update on our Fibers segment.

First, I wanted to highlight that our EBIT margin for 2017 was 26%, which is a great reminder that despite the recent challenges this business has faced it remains a very profitable business.

Over the course of the last year, we have solidified our position at our top accounts and today have more than 2/3rds of our volume under multi-year agreements.

Finally, I wanted to share that in 2017 we grew our textiles business by more than 10%, highlighting the momentum we are gaining in new applications.
- A key component of our success will continue to be our cost position. Our combination of scale and integration provides us with not only a cost advantage but a competitive advantage as customers view us a committed and reliable supplier.
- This asset position is complemented by strong customer relationships, which are underpinned by a high percentage of specification-driven applications.
- In addition, we have a unique position in spinning and processing acetate yarn.
- We are leveraging this combination of capabilities to aggressively grow in niche applications in both filter media and textiles, while we relentlessly drive productivity.
- Combining this business model with a diverse geographic footprint provides a solid foundation on which to build.
I feel very good about the actions we have taken to stabilize our tow business in 2017.

As a part of this repositioning effort, we commercialized 25 new products and grew our premium mix by greater than 50 percent.

We also have a multi-year productivity program that is focused on substantially offsetting industry volume declines going forward.

Therefore, delivering modest growth comes down to growing new applications in excess of any decline in tow.

Over the course of the year we launched 3 new product lines—Naia™, Vesta™ and Avra™. Concurrently, we commercialized 50 new product grades and closed 40 new opportunities.

In summary, we have made a lot of progress in 2017 and believe we are well positioned for modest growth in 2018 & beyond!
Let me wrap up with a summary of our expectations for growth in these businesses over the next several years.

In Advanced Materials, we expect to drive revenue growth in the mid-single digits and translate that into earnings growth in the 7-10% range.

In Fibers, we expect drive low single digit growth and modest earnings growth in the 1-3% range.