

The Merriam Report **EMN** **3/31/10** **EASTMAN CHEMICAL CO**

All amounts in millions except for earnings per share

Quarterly period ending:	3	4	1	2	3	4	1	Averages
	9/30/2008	12/31/2008	3/31/2009	6/30/2009	9/30/2009	12/31/2009	3/31/2010	
Earnings Per Share (Incl. Ext. Items)	\$ 1.330	\$ 0.050	\$ 0.030	\$ 0.890	\$ 1.38000	\$ (0.440)	\$ 1.370	\$ 0.659
% Change in E.P.S. (from prev. qtr.)		-96.2%	-40.0%	2866.7%	55.1%	-131.9%	411.4%	510.8%
Total Revenues	181900.0	134600.0	112900.0	125300.0	133700.0	132800.0	156400.0	139657.1
% Change in Revenues (from prev. qtr.)		-26.0%	-16.1%	11.0%	6.7%	-0.7%	17.8%	-1.2%
Cost of Revenues	149700.0	1200000.0	950000.0	993000.0	1009000.0	1042000.0	1243000.0	940957.1
Accounts Receivable:	64700.0	35400.0	35300.0	48300.0	38400.0	37900.0	77400.0	48200.0
% Change in Receivables (from prev. qtr.)		-45.3%	-0.3%	36.8%	-20.5%	-1.3%	104.2%	12.3%
DSO's (# of days it took customers to pay)	32.4	23.9	28.5	35.1	26.1	26.0	45.0	31.0
Inventories:	71500.0	63700.0	56100.0	44300.0	49500.0	53100.0	58800.0	56714.3
% Change in Inventory (from prev. qtr.)		-10.9%	-11.9%	-21.0%	11.7%	7.3%	10.7%	-2.4%
Inventory as a % of Sales	39.3%	47.3%	49.7%	35.4%	37.0%	40.0%	37.6%	40.90%
Prepaid Expenses:	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Other Current Assets:	6600.0	4500.0	4900.0	2900.0	3300.0	3200.0	3200.0	4085.7
Property, Plant & Equip. (net):	309300.0	319800.0	322800.0	327200.0	327300.0	311000.0	316700.0	319157.1
% Change in P, P & E (from prev. qtr.)		3.4%	0.9%	1.4%	0.0%	-5.0%	1.8%	0.4%
Accounts Payable:	101900.0	81900.0	75600.0	70600.0	82700.0	80000.0	86600.0	82757.1
% Change in Payables (from prev. qtr.)		-19.6%	-7.7%	-6.6%	17.1%	-3.3%	8.3%	-2.0%
Quarterly period ending:	9/30/2008	12/31/2008	3/31/2009	6/30/2009	9/30/2009	12/31/2009	3/31/2010	
Total Liabilities:	370900.0	372800.0	367400.0	378100.0	390900.0	400200.0	407900.0	384028.6
Shareholder equity:	182000.0	155300.0	152300.0	157500.0	164500.0	151300.0	156900.0	159971.4
Retained Earnings (Accum. Deficit)	259800.0	256300.0	253300.0	256600.0	263500.0	257100.0	264000.0	258657.1
Operating Cash Flow (OCF)	409261.9	379061.7	373162.1	381562.9	395362.3	378863.6	389482.5	386391.0
OCF as % of Revenues	225.0%	281.6%	330.5%	304.5%	295.7%	283.8%	249.0%	281.45%
Balance Sheet Cash Flow (BSCF)	370882.7	372787.8	367388.4	378087.8	390887.6	400187.9	407883.3	384015.1
BSCF as % of Revenues	203.9%	277.0%	325.4%	301.7%	292.4%	301.3%	260.8%	260.36%
Spread between OCF & BSCF	38379.2	6273.8	5773.7	3475.0	4474.8	-2324.3	-18426.6	2375.9
Ratios								
Spread to Revenues	21.10%	4.66%	5.11%	2.77%	3.35%	-17.56%	-11.78%	0.011
Spread to OCF	1.103	1.017	1.016	1.009	1.011	0.942	0.955	1.008
MR Dual Cash-Flow Figure	1.314	1.063	1.067	1.037	1.045	0.766	0.837	1.019



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The Merriam Report

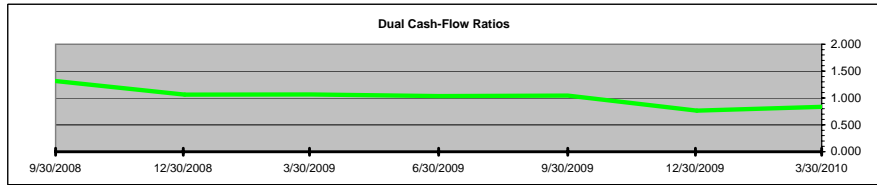
Quarterly period ending:	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10
MR Dual Cash-Flow Figure	1.314	1.063	1.067	1.037	1.045	0.766	0.837

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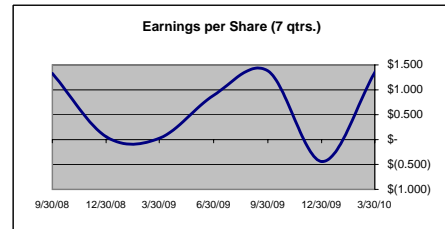
Merriam Report Signals:

- Recent Bearish
- Confirmed Bearish**
- Recent Bullish
- Confirmed Bullish



MR Dual Cash-Flow Figure (avg.)

1.019



	09/30/08	12/31/08	03/31/09	06/30/09	09/30/09	12/31/09	03/31/10	
P/E	9.51	6.91	9.18	16.48	22.98	32.04	19.65	-1 16.68
P/S	0.58	0.19	0.29	0.5	0.77	0.87	0.86	-1 0.58
P/FCF	-32.8559	-10.9345	40.6061	12.5248	9.1554	13.6909	51.0289	-1 11.89
PEG	0	0.255	-0.2753	-0.3289	-0.3898	-0.54	1.9654	-1 0.114
Earnings Yield	0.1052	0.1447	0.109	0.0607	0.0435	0.0312	0.0509	-1 0.078
Cash to Total Asse	0.061	0.0733	0.0654	0.084	0.1203	0.1438	0.0855	0 0.09
Debt-to-Assets	0.2597	0.2755	0.279	0.2709	0.2595	0.2908	0.2845	0 0.274

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Accrual Ratios
Average Accruals

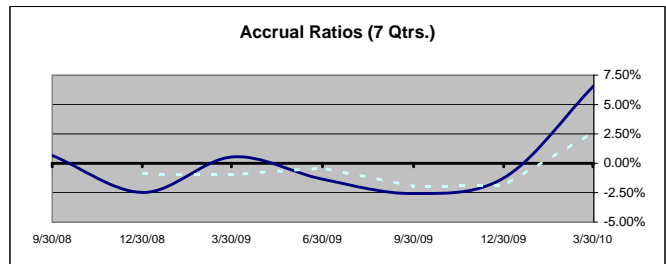
	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10
0.67%	-2.48%	0.54%	-1.34%	-2.57%	-1.20%	6.60%	-1.25
0.03%							

Revenue Metrics (as % of Sales)

	Recent Qtr.	Combined Avg.
Research & Development	2.30%	2.56%
Cost of Sales	79.48%	81.16%
S/G/A	6.59%	7.20%
Payables	55.37%	59.26%

Capital Productivity

	Recent Qtr.	Combined Avg.
Inventory / Revenues	\$ 0.376	\$ 0.406
Receivables / Revenues	\$ 0.495	\$ 0.345
Inventory & Receivables / Revenues	\$ 0.871	\$ 0.751
P,P&E / Revenues	\$ 2.025	\$ 2.285



Accrual Ratios: According to the MR model, a ratio of -5 or less is very bullish and a ratio of +5 or more is very bearish.

1.68% 0.62%

Summary of Merriam Report Signals

Dual Cash-Flow Figures

Recent Bullish

Confirmed Bearish

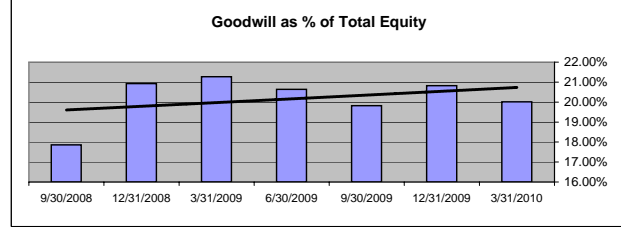
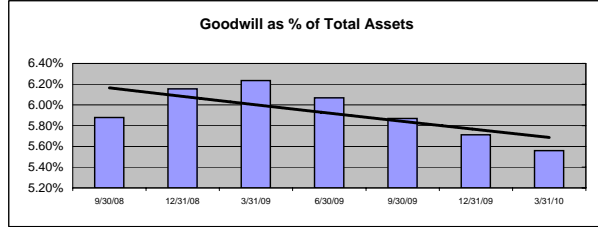
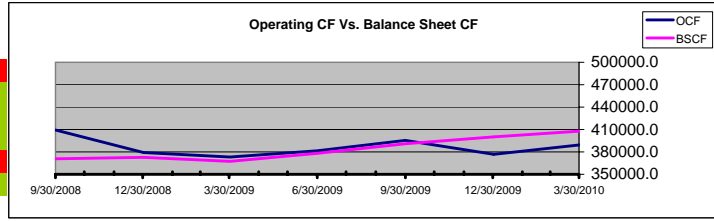
Operating Cash-Flow Trend
Balance Sheet Cash-Flow Trend

Bearish
Bearish

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10
OCF	409261.9	379061.7	373162.1	381562.9	395362.3	376863.6	389462.5
BSCF	370882.7	372787.8	367388.4	378087.8	390887.6	400187.9	407883.3

Comparison of Recent Quarter Changes to Average

EPS	Bearish	
Revenues	Bullish	
Accounts Receivable	Bullish	
Days Sales Outstanding	Bullish	
Inventory	Bearish	
Accounts Payable	Bullish	
Accrual Ratios	Bullish	



	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10	AVG.	
Goodwill as % of Total Assets	5.88%	6.15%	6.23%	6.07%	5.87%	5.71%	5.56%	5.93%	1
Goodwill as % of Total Equity	17.86%	20.93%	21.27%	20.63%	19.82%	20.82%	20.01%	20.19%	1
	3.04	3.40	3.41	3.40	3.38	3.65	3.60	3.41	-1
									1

Dual Cash Flow Trend	0								
Financial Ratios (conventional)	-5								
Balance Sheet and Income Statement	-4								
Accrual Ratios	-1.25								
Revenue Metrics and Capital Productivity	2								
Goodwill Trends	1	\$ (1.44)	\$ 62.24						
Merriam Report Score	-7.25	2.31%							

EASTMAN CHEMICAL CO
Ending Period Share Price
Estimated Fair Value
End Price to Est. FV

3/31/2010 6/1/2010
63.68 \$ 58.30
\$ 62.24
2.31% -6.34%

