

Eastman Chemical Cutting Up To 300 Jobs

By Deborah Jian Lee AP Business Writer

NEW YORK (AP) — Eastman Chemical Co. on Monday said it will take a \$30 million charge as it cuts up to 300 jobs and reduces salaries, in an effort to trim costs and keep its dividend and lowered capital spending plans intact.

This marks the second round of cost cutting in the last four months for the Kingsport, Tenn.-based maker of chemicals, coatings, adhesives and specialty plastics products. In December, it said it was reducing contractors, part-time labor, management and its maximum vacation carry-over amount.

Monday's actions, which include lowering salaries for U.S.-based employees by 5 percent, and cutting non-critical maintenance costs, logistics costs and discretionary purchases, will further slash spending. Altogether, the cost cuts announced Monday along with those announced in December are expected to save more than \$200 million.

"The severity of the current economic environment led to the actions we are announcing today," said Brian Ferguson, the company's chief executive, adding that the company cut its 2009 capital spending budget to between \$300 million and \$350 million.

Shares of Eastman Chemical rose 62 cents, or 3.4 percent, to \$18.88 in midday trading. The stock traded as high as \$19.48 earlier in the session.

The chemical manufacturer expects to lay off 200 to 300 employees, nearly 3 percent of its global work force, over the next six weeks, with most cuts coming at the company's Kingsport headquarters, Eastman spokeswoman Tracy Broadwater said. About 7,000 of Eastman's 10,400 employees work at Kingsport.

This would be in addition to the 40 employees eliminated in a December announcement, mostly at Kingsport, in the first round of cuts.

The company also will reduce base pay effective March 30 for U.S.-based employees. It said it's planning similar cost reductions in locations outside the U.S.

Ferguson said he expects 2009 earnings per share between \$2 and \$3, excluding \$30 million in restructuring charges related to these cost cutting actions, which will be taken in the first quarter.

Analysts polled by Thomson Reuters forecast profit of \$2.31, on average. Analysts typically exclude one-time items.

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Eastman shares rose 62 cents, or 3 percent, to \$18.88 a share in midday trading on the New York Stock Exchange.

Associated Press Writer Duncan Mansfield in Knoxville, Tenn., contributed to this report.

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