

Kodak's Shares Plummet After a Negative Earnings Report

BY REUTERS

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Eastman Kodak reported a larger-than-expected fourth-quarter loss and a 25 percent drop in revenue on poor digital and licensing sales, depressing shares as much as 19 percent.

The company's revenue fell to \$1.93 billion, missing the average analyst forecast of \$2.11 billion, according to Thomson Reuters.

Kodak's digital revenue fell 25 percent, while revenue at its consumer digital imaging group, which includes the licensing portfolio, fell almost 40 percent.

Kodak executives cited competitive pricing and less consumer demand for its digital cameras as well as increases in commodity prices, particularly silver and petroleum, as among factors for the weak quarter.

Kodak faces competition in digital cameras and pocket video from Sony and Canon, and from companies that make smartphones with cameras.

Kodak has suffered as people abandoned printed film for digital cameras. Licensing its technology has helped Kodak offset costly reorganization plans.

Kodak reported fourth-quarter earnings of \$33 million, or 12 cents a share from continuing operations, compared with \$430 million, or \$1.36 a share, a year earlier. Excluding one-time items, the company reported a loss of 37 cents a share, missing analysts' estimates of a 2-cent loss.

Kodak shares were down 18 percent at \$3.71. ■

News Release

Kodak Reports Full-Year 2010 Revenue of \$7.187 Billion, Full-Year 2010 Gross Profit Improves

Full-Year GAAP Results from Continuing Operations Improve by \$174 Million; GAAP Earnings from Continuing Operations Before Interest Expense, Other Income (Charges), Net & Income Taxes Improve by \$311 Million; Digital Earnings from Operations Improve by \$308 Million; Company's Full-Year Segment Earnings Performance Hits Previously Forecasted Range; Kodak Ends 2010 With More Than \$1.6 Billion in Cash

ROCHESTER, N.Y., Jan 26, 2011 (BUSINESS WIRE) --

Eastman Kodak Company (NYSE:EK) today reported 2010 results which reflect the success of the focused investments that Kodak is making in new products and growth businesses; digital revenue growth in key emerging markets around the world; intellectual property licensing agreements; improved profit margins; and a lean cost structure.

Full-year 2010 sales were \$7.187 billion, a 6% decrease from the prior year. Full-year revenue from digital businesses grew by 1%, reflecting an 18% revenue increase in the company's core growth businesses -- Consumer and Commercial inkjet, Packaging Solutions, and Workflow Software and Services -- and an increase in non-recurring intellectual property licensing agreements. Full-year 2010 consumer inkjet printer and ink revenue grew by 35%. Traditional revenue for 2010 decreased 22% from the prior year to \$1.767 billion.

On the basis of U.S. generally accepted accounting principles (GAAP), the company reported a full-year 2010 loss from continuing operations of \$58 million, or \$0.22 per share, reflecting a \$174 million improvement as compared with a loss of \$232 million, or \$0.87 per share in the year-ago period. The company's digital businesses delivered \$301 million in earnings from operations for the year, a \$308 million improvement from 2009.

For the fourth quarter of 2010, the company reported revenues of \$1.927 billion, a 25% decrease from the year-ago quarter. Revenue from the company's core growth businesses increased by 23%, while overall digital revenue totaled \$1.488 billion, a 25% decrease from \$1.991 billion in the prior-year quarter. This revenue decline largely reflects the timing of intellectual property licensing revenues as well as industry-related pricing pressures in Prepress Solutions and Digital Capture & Devices, partially offset by the revenue increase in the company's core growth businesses. Revenue from the company's traditional business decreased 25% to \$439 million for the fourth quarter.

For the fourth quarter, the company reported earnings from continuing operations of \$33 million, or \$0.12 per share, compared with earnings on the same basis of \$430 million, or \$1.36 per share, in the year-ago period, primarily reflecting lower intellectual property licensing revenues in the fourth quarter of 2010. Items of net benefit that impacted comparability in the fourth quarter of 2010 totaled \$132 million after tax, or \$0.49 per share, primarily due to tax-related items, partially offset by restructuring charges. Items of net benefit that impacted comparability in the fourth quarter of 2009 totaled \$90 million after tax, or \$0.28 per share, primarily related to benefits from asset sales and tax-related items, partially offset by restructuring charges. (Please refer to the attached Items of Comparability table for more information.)

"In a year with significant external headwinds affecting a number of industries in which we participate, I am very encouraged by the performance of our key digital growth businesses, which will form the basis of Kodak's digital future," said Antonio M. Perez, Chairman and Chief Executive Officer, Eastman Kodak Company. "During 2010, these new businesses grew by a combined 18%, and all of our digital businesses as a group delivered more than \$300 million in earnings for the year. This was our best digital earnings performance ever, and in line with our segment earnings forecast for the year. We also delivered positive cash generation in the fourth quarter and ended the year with more than \$1.6 billion in cash on our balance sheet. That said, there were particular business challenges in 2010 that we are aggressively addressing. We enter the new year with a highly competitive digital portfolio, a strong presence in key markets, a continued commitment to effective cash management, and a significant amount of positive momentum in our key growth initiatives. All of this positions us well to continue our progress as a profitable, digital company."

Other 2010 details:

- For full-year 2010, Gross Profit margin was 27.1% of sales, an increase from 23.2% in 2009. This increase was primarily driven by intellectual property licensing transactions. Fourth-quarter 2010 Gross Profit margin was 19.4%, a decrease from 34.4% in the year-ago period, primarily the result of a significant intellectual property licensing transaction in the fourth quarter of 2009.
- Selling, General and Administrative expenses were \$1.279 billion for full-year 2010, down 2%, from \$1.302 billion in 2009.
- Research and Development expenses were \$322 million for full-year 2010, down from \$356 million in 2009.

- For full-year 2010, cash used before restructuring payments was \$248 million, compared with \$45 million cash generated in 2009, primarily due to lower proceeds from asset sales and a higher net use of cash for settlement of assets and liabilities. This corresponds to net cash used in operating activities of \$219 million for 2010, compared with net cash used in operating activities of \$136 million for 2009. Fourth-quarter cash generation, before restructuring payments, was \$255 million, compared with \$909 million in the year-ago quarter, primarily the result of a significant intellectual property licensing transaction in the fourth quarter of 2009. This corresponds to net cash provided by operating activities of \$285 million for the fourth quarter of 2010 and \$822 million for the year-ago period.
- Kodak held \$1.6 billion in cash and cash equivalents as of December 31, 2010, up from \$1.4 billion on September 30, 2010.
- The carrying value of the company's debt stood at \$1.2 billion as of December 31, 2010, with total debt maturities of approximately \$1.4 billion.

Segment sales and earnings from continuing operations before interest expense, taxes, and other income and charges (segment earnings from operations), were as follows:

- Consumer Digital Imaging Group full-year 2010 sales were \$2.739 billion, a 5% increase from the prior year. Full-year earnings from operations for the segment were \$330 million, a \$295 million increase from the prior year. The year-over-year improvement was driven by intellectual property licensing transactions and improving profitability in Consumer Inkjet, which doubled gross profit dollars from ink during 2010. This was partially offset by declines in Retail Systems Solutions. For the fourth quarter, sales for the segment were \$731 million, a decrease from \$1.212 billion in the prior-year quarter. Fourth-quarter loss from operations was \$57 million, compared with earnings on the same basis of \$380 million in the prior-year quarter. These earnings results were primarily driven by a non-recurring intellectual property licensing transaction in the prior-year quarter.
- Graphic Communications Group full-year 2010 sales were \$2.681 billion, a 2% decline from the prior year. Full-year loss from operations for the segment was \$29 million, a \$13 million improvement from the prior-year. The year-over-year earnings improvement was driven by cost improvements in electrophotographic products and lower raw material costs. Fourth-quarter 2010 sales were \$757 million, a 3% decline from the fourth quarter of 2009. Fourth-quarter earnings from operations for the segment were \$12 million, as compared with \$36 million in the year-ago quarter. This earnings decline includes increased investment to support future growth opportunities in Commercial Inkjet and Workflow Software and Services, as well as negative price/mix in digital plates.
- Film, Photofinishing and Entertainment Group full-year 2010 sales were \$1.767 billion, a 22% decline from the prior year. Full-year 2010 earnings from operations for the segment were \$62 million, compared with \$159 million in the prior year. Fourth-quarter sales were \$439 million, a 25% decline from the year-ago quarter. Fourth-quarter loss from operations for the segment was \$3 million, compared with earnings on the same basis of \$53 million in the year-ago period. This decrease in earnings was primarily driven by industry-related declines in volumes and increased raw material costs, partially offset by cost reductions across the segment.
- For full-year 2010, total segment earnings were \$362 million, within the company's previously communicated range of \$350 million to \$450 million. This corresponds to earnings from continuing operations before interest expense, other income (charges), net and income taxes of \$283 million, which was within the company's previously communicated range of \$275 million to \$375 million.

Conference Call Information

Antonio M. Perez and Kodak Chief Financial Officer, Antoinette P. McCorvey, will host a conference call with investors at 11:00 a.m. Eastern Time today. To access the call, please use the direct dial-in number: +1 480-629-9818, conference ID 4395323#. There is no need to pre-register.

The call will be recorded and available for playback by 2:00 p.m. Eastern Time on Wednesday, January 26, by dialing +1 303-590-3030, access code 4395323#. The playback number will be active until Wednesday, February 2, at 5:00 p.m. Eastern Time.

For those wishing to participate via the webcast, please access our kodak.com Investor Relations webpage at: <http://www.kodak.com/go/invest>. The webcast audio will be archived and available for replay on this site approximately one hour following the live broadcast.

Outlook/Investor Meeting

Kodak will provide a detailed outlook for 2011 at its annual strategy meeting with the investment community on Thursday, February 3, in New York City.

The meeting will be held at the New York Stock Exchange, located at 2 Broad Street. Registration will begin at 8:15 a.m. Eastern Time. The formal program will begin promptly at 9:00 a.m. and is expected to conclude by 11:30 a.m. Prior to admittance, guests must check in at the external checkpoint, which is located at the corner of Wall and Broad Streets. Guests

must have valid government-issued photo ID and be included on the RSVP guest list in order to gain access to the building. In addition, please note business attire is a requirement for all visitors to the New York Stock Exchange.

The program will include presentations by Antonio M. Perez, Chairman and Chief Executive Officer; Philip Faraci, President and Chief Operating Officer; Pradeep Jotwani, President, Consumer Digital Imaging Group and Chief Marketing Officer; Brad Kruchten, President, Film, Photofinishing and Entertainment Group; and Antoinette McCorvey, Chief Financial Officer, and will conclude with a question-and-answer session.

If you wish to attend, please RSVP by Friday, January 28, 2011, by contacting Alicia Zona at 585-724-5955, or by e-mail at alicia.zona@kodak.com.

For those unable to attend in person, the meeting will be available via a live webcast. To access the webcast please go to: <http://www.kodak.com/go/invest>.

CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this document may be forward-looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to the Company's expectations regarding the following are forward-looking statements: economic conditions; revenue; revenue growth; gross margins; earnings; cash generation and management; operational costs; new product introductions; demand for digital products; and liquidity.

Actual results may differ from those expressed or implied in forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include, among others, the following risks, uncertainties, assumptions and factors as described in more detail under the heading "risk factors" in the Company's Report on Form 10-Q for the quarters ended June 30, 2010, and September 30, 2010, and in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, and June 30, 2010, and September 30, 2010, under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Cautionary Statement Pursuant to Safe Harbor Provisions the Private Securities Litigation Reform Act of 1995" and in other filings the Company makes with the SEC from time to time:

- Continued weakness or worsening of economic conditions which could continue to adversely impact our financial performance and our liquidity;
- Whether we are successful with the strategic investment decisions we have made which could adversely affect our financial performance;
- Whether we effectively anticipate technology trends and develop and market new products to respond to changing customer preferences which could adversely affect our revenue and earnings;
- The competitive pressures we face which could adversely affect our revenue, earnings and market share;
- Whether our commercialization and manufacturing processes fail to prevent product reliability and quality issues which could adversely affect our revenue, earnings and market share;
- Whether we are successful in licensing and enforcing our intellectual property rights or in defending against alleged infringement of the intellectual property rights of others which could adversely affect our revenue, earnings, expenses and liquidity;
- Whether our pension and post-retirement plan costs and contribution levels are impacted by changes in actuarial assumptions, future market performance of plan assets or obligations imposed by legislative or regulatory authorities which could adversely affect our financial position, results of operation and cash flow;
- Whether we are successful in attracting, retaining and motivating key employees which could adversely affect our revenue and earnings;
- Changes in currency exchange rates, interest rates and commodity costs which could adversely impact our results of operations and financial position;
- Whether we are able to provide competitive financing arrangements or extend credit to customers which could adversely impact our revenue and earnings;
- Our reliance on third party suppliers which could adversely affect our revenue, earnings and results of operations; and
- Whether we are required to recognize additional impairments in the value of our goodwill which could increase expenses and reduce profitability.

The Company cautions readers to carefully consider such factors. Many of these factors are beyond the Company's control. In addition, any forward-looking statements represent the Company's estimates only as of the date they are made, and should not be relied upon as representing the Company's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so, even if its estimates change.

Any forward-looking statements in this document should be evaluated in light of the factors and uncertainties referenced above and should not be unduly relied upon.

Items of Comparability

As previously announced, the Company will only report its results on a GAAP basis, which will be accompanied by a description of non-operational items affecting its GAAP quarterly results by line item in the statement of operations. The Company defines non-operational items as restructuring and related charges, gains and losses on sales of assets, certain asset impairments, the related tax effects of those items and certain other significant pre-tax and tax items not related to the Company's core operations. Non-operational items, as defined, are specific to the Company and other companies may define the term differently. The following table presents a description of the non-operational items affecting the Company's quarterly results by line item in the statement of operations for the fourth quarter of 2010 and 2009, respectively.

(in millions, except per share data)	4th Quarter			
	2010		2009	
	Diluted \$	EPS	Diluted \$	EPS
Earnings (loss) from continuing operations available to common stockholders	\$ 33		\$ 429	
Interest on convertible securities	-		10	
Adjusted earnings (loss) from continuing operations available to common stockholders	<u>\$ 33</u>	<u>\$ 0.12</u>	<u>\$ 439</u>	<u>\$ 1.36</u>
Items of Comparability - Income/(Expense):				
Foreign contingencies (COGS)	2	0.01	2	0.01
Restructuring charges (COGS)	(2)	(0.01)	(14)	(0.04)
Restructuring charges (<i>Restructuring costs, rationalization and other</i>)	(22)	(0.08)	(47)	(0.15)
Total restructuring and rationalization charges	(24)	(0.09)	(61)	(0.19)
Gains (Losses) on asset sales or impairments (<i>Other operating income/(expense), net</i>)	6	0.02	101	0.32
Foreign contingencies (<i>Interest expense, Other income/(charges), net</i>)	4	0.01	2	-
Tax impacts of the above items, net (<i>(Provision) benefit for income taxes</i>)	-	-	7	0.02
Total Items of comparability, net of tax, before discrete tax items	(12)	(0.05)	51	0.16
Other discrete tax items (<i>(Provision) benefit for income taxes</i>)	144	0.54	39	0.12
Total Items of comparability, net of tax	<u>\$ 132</u>	<u>0.49</u>	<u>\$ 90</u>	<u>0.28</u>

Eastman Kodak Company Fourth Quarter 2010 Results Non-GAAP Reconciliations

Within the Company's fourth quarter 2010 earnings release, reference is made to certain non-GAAP financial measures, including "Digital Earnings from Operations", "Segment Earnings from Operations", "Digital Revenue", "Traditional Revenue", "Traditional Earnings from Operations" and "Cash (Use) Generation Before Restructuring Payments".

The Company believes that these non-GAAP measures represent important internal measures of performance. Accordingly, where they are provided, it is to give investors the same financial data management uses with the belief that this information

will assist the investment community in properly assessing the underlying performance of the Company, its financial condition, results of operations and cash flow.

The following reconciliations are provided with respect to terms used in the January 26, 2011, earnings release.

The following table reconciles digital earnings from operations improvement to the most directly comparable GAAP measure of earnings from continuing operations before interest expense, other income (charges), net and income taxes improvement (amounts in millions):

	2010 Improvement (Decline)
Digital earnings from operations improvement, as presented	\$ 308
Traditional earnings from operations (decline)	(97)
All other earnings from operations improvement	12
Segment earnings from operations improvement	223
Restructuring costs, rationalization and other improvement	180
Other operating income (expenses), net (decline)	(81)
Adjustments to contingencies and legal reserves/settlements (decline)	(11)
Earnings from continuing operations before interest expense, other income (charges), net and income taxes improvement (GAAP basis), as presented	<u>\$ 311</u>

The following table reconciles digital earnings from operations, traditional earnings from operations and segment earnings from operations to the most directly comparable GAAP measure of earnings from continuing operations before interest expense, other income (charges), net and income taxes (amounts in millions):

	2010	2010 Outlook
Digital earnings from operations, as presented	301	
Traditional earnings from operations, as presented	62	
All Other	(1)	
Segment earnings from operations, as presented	\$ 362	\$ 350-\$450
Restructuring costs, rationalization and other	(78)	(50) - (60)
Other operating income (expense), net	7	(20)
Adjustments to contingencies and legal reserves/settlements	(8)	0
Earnings from continuing operations before interest expense, other income (charges), net and income taxes (GAAP basis), as presented	<u>\$ 283</u>	<u>\$275 - \$375</u>

The following table reconciles digital revenue growth (decline) and traditional revenue decline to the most directly comparable GAAP measure of total Company revenue decline:

	2010 Growth (Decline)	Q4 2010 Growth (Decline)
Digital revenue growth (decline), as presented	1%	-25%
FPEG segment revenue (decline), as presented	-22%	-25%
Total Company revenue (decline), as presented	-6%	-25%

The following table reconciles cash (use) generation before restructuring payments to the most directly comparable GAAP measure of net cash (used in) provided by operating activities (amounts in millions):

	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash (use) generation before restructuring payments, as presented	\$ (248)	\$ 45	\$ 255	\$ 909
Cash restructuring payments	(88)	(177)	(17)	(34)
Cash (use) generation	(336)	(132)	238	875
Proceeds from sales of businesses/assets	(32)	(156)	(15)	(109)
Free cash flow	(368)	(288)	223	766
Additions to properties	149	152	62	56
Net cash (used in) provided by operating activities (GAAP basis), as presented	<u>\$ (219)</u>	<u>\$ (136)</u>	<u>\$ 285</u>	<u>\$ 822</u>

FINANCIAL DISCUSSION DOCUMENT

The Company has three reportable segments: Consumer Digital Imaging Group (CDG), Graphic Communications Group (GCG), and Film, Photofinishing and Entertainment Group (FPEG). Within each of the Company's reportable segments are various components, or Strategic Product Groups (SPGs). Throughout the remainder of this document, references to the segments' SPGs are indicated in italics. The balance of the Company's continuing operations, which individually and in the aggregate do not meet the criteria of a reportable segment, are reported in All Other.

2010 COMPARED WITH 2009

Fourth Quarter

RESULTS OF OPERATIONS - CONTINUING OPERATIONS

CONSOLIDATED

(in millions, except per share data)

	Three Months Ended				Increase /	%
	December 31					
	2010	% of Sales	2009	% of Sales	(Decrease)	Change
Net sales	\$1,927		\$2,582		\$ (655)	-25%
Cost of goods sold	1,554		1,695		(141)	-8%
Gross profit	373	19.4%	887	34.4%	(514)	-58%
Selling, general and administrative expenses	342	18%	347	13%	(5)	-1%
Research and development costs	79	4%	86	3%	(7)	-8%
Restructuring costs, rationalization and other	22		47		(25)	-53%
Other operating (income) expenses, net	(6)		(101)		(95)	-94%
(Loss) earnings from continuing operations before interest expense, other income (charges), net and income taxes	(64)	-3%	508	20%	(572)	-113%
Interest expense	32		44		(12)	-27%
Other income (charges), net	23		22		1	5%
(Loss) earnings from continuing operations before income taxes	(73)		486		(559)	-115%

(Benefit) provision for income taxes	<u>(106)</u>		<u>56</u>		<u>(162)</u>	-289%
Earnings from continuing operations	33	2%	430	17%	(397)	-92%
(Loss) earnings from discontinued operations, net of income taxes	<u>(11)</u>		<u>14</u>		<u>(25)</u>	-179%
NET EARNINGS	<u>22</u>		<u>444</u>		<u>(422)</u>	
Less: Net earnings attributable to noncontrolling interests	<u>-</u>		<u>(1)</u>		<u>1</u>	
NET EARNINGS ATTRIBUTABLE TO EASTMAN KODAK COMPANY	<u>\$ 22</u>		<u>\$ 443</u>		<u>\$ (421)</u>	-95%

	Three Months Ended		Change vs. 2009			
	December 31		Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs
	2010	Change vs. 2009				
Total net sales	\$ 1,927	-25.4%	-4.7%	-19.6%	-1.1%	n/a
Gross profit margin	19.4%	-15.0pp	n/a	-14.7pp	-0.4pp	0.1pp

Revenues

For the three months ended December 31, 2010, net sales decreased approximately 25% compared with the same period in 2009 due primarily to unfavorable price/mix in the CDG segment (-18%) and volume declines in the FPEG segment (-5%).

Included in revenues in the current quarter was a non-recurring intellectual property licensing agreement in the CDG segment. This licensing agreement contributed approximately \$78 million to revenues in the fourth quarter of 2010, as compared with approximately \$421 million of revenue from non-recurring licensing agreements in the prior year quarter. The Company expects to secure other new licensing agreements, the timing and amounts of which are difficult to predict. These types of arrangements provide the Company with a return on portions of its R&D investments, and new licensing opportunities are expected to have a continuing impact on the results of operations.

Gross Profit

Gross profit margin decreased as compared with the prior year quarter, primarily due to unfavorable price/mix within the CDG segment (-14 pp), largely due to the decrease in revenue from non-recurring intellectual property agreements in the current quarter as compared with the prior year quarter.

Included in gross profit in the current quarter was a non-recurring intellectual property licensing agreement within *Digital Capture and Devices* in the CDG segment. This licensing agreement contributed approximately \$78 million to gross profit in 2010, as compared with approximately \$421 million of gross profit from non-recurring licensing agreements in 2009.

Research and Development Costs

The decrease in R&D costs as compared with the prior year quarter was due to focused cost reductions within the FPEG segment (-\$4 million) and declines in All Other (-\$3 million) as the result of the sale of assets of the Company's organic light emitting diodes (OLED) group in the prior year quarter.

Restructuring Costs, Rationalization and Other

These costs, as well as the restructuring and rationalization-related costs reported in cost of goods sold, are discussed under the "RESTRUCTURING COSTS, RATIONALIZATION AND OTHER" section.

Other Operating (Income) Expenses, Net

The other operating (income) expenses, net category includes gains and losses on sales of assets and businesses and certain impairment charges. The prior year quarter amount primarily reflects a gain on the sale of assets of the Company's OLED group.

In November 2009, the Company agreed to terminate its patent infringement litigation with LG Electronics, Inc., LG Electronics USA, Inc., and LG Electronics Mobilecomm USA, Inc., entered into a technology cross license agreement with LG Electronics, Inc. and agreed to sell assets of its OLED group to Global OLED Technology LLC, an entity established by LG Electronics, Inc., LG Display Co., Ltd. and LG Chem, Ltd. As the transactions were entered into in contemplation of one another, in order to reflect the asset sale separately from the licensing transaction, the total consideration was allocated between the asset sale and the licensing transaction based on the estimated fair value of the assets sold. Fair value of the assets sold was estimated using other competitive bids received by the Company. Accordingly, \$100 million of the proceeds was allocated to the asset sale. The remaining gross proceeds of \$414 million were allocated to the licensing transaction and reported in net sales of the CDG segment.

Interest Expense

The decrease in interest expense for the three months ended December 31, 2010 as compared with the three months ended December 31, 2009 is primarily attributable to the write-off of debt issuance costs in the prior year period, when the Company repurchased approximately \$563 million of its outstanding 3.375% Convertible Senior Notes due 2033.

Income Tax (Benefit) Provision

(dollars in millions)

	Three Months Ended	
	December 31	
	<u>2010</u>	<u>2009</u>
(Loss) earnings from continuing operations before income taxes	(\$73)	\$486
(Benefit) provision for income taxes	(\$106)	\$56
Effective tax rate	145.2%	11.5%

The change in the Company's effective tax rate from continuing operations is primarily attributable to: (1) a benefit associated with the release of deferred tax asset valuation allowances in certain jurisdictions outside of the U.S. in the three months ended December 31, 2010; (2) withholding taxes related to a non-recurring licensing agreement entered into in the three months ended December 31, 2009; (3) changes to the geographical mix of earnings from operations; and (4) changes in audit reserves and settlements.

CONSUMER DIGITAL IMAGING GROUP

(dollars in millions)

	Three Months Ended				Increase /	% Change
	December 31					
	% of		% of			
	<u>2010</u>	<u>Sales</u>	<u>2009</u>	<u>Sales</u>	(Decrease)	
Total net sales	\$ 731		\$1,212		\$ (481)	-40%
Cost of goods sold	594		658		(64)	-10%
Gross profit	137	18.7%	554	45.7%	(417)	-75%
Selling, general and administrative expenses	158	22%	137	11%	21	15%
Research and development costs	36	5%	37	3%	(1)	-3%
(Loss) earnings from continuing operations before interest expense, other income (charges), net and income taxes	<u>\$ (57)</u>	-8%	<u>\$ 380</u>	31%	<u>\$ (437)</u>	-115%

	Three Months Ended		Change vs. 2009			
	<u>2010</u>	<u>Change vs.</u>				
	<u>Amount</u>	<u>2009</u>	<u>Volume</u>	<u>Price/Mix</u>	<u>Foreign Exchange</u>	<u>Manufacturing and Other Costs</u>
Total net sales	\$ 731	-39.7%	-0.9%	-37.8%	-1.0%	n/a
Gross profit margin	18.7%	-27.0pp	n/a	-30.7pp	-0.9pp	4.6pp

Revenues

CDG's fourth quarter revenue decline of approximately 40% was primarily attributable to unfavorable price/mix. This unfavorable price/mix was driven by a decrease in non-recurring intellectual property royalty revenues (-28%) and competitive pricing pressures within other components of *Digital Capture and Devices* (-7%). Also contributing to the decline were lower volumes (-2%) and unfavorable price/mix (-2%) within *Retail Systems Solutions*, primarily due to the previously disclosed expiration of a significant customer contract. Partially offsetting these declines were higher volumes within *Consumer Inkjet Systems* (+3%).

Included in revenues for the current quarter was a non-recurring intellectual property licensing agreement within *Digital Capture and Devices*. This licensing agreement contributed approximately \$78 million of revenues in the fourth quarter of 2010, as compared with approximately \$421 million of revenues from non-recurring licensing agreements in the prior year quarter.

Gross Profit

The decrease in gross profit margin was primarily the result of lower non-recurring intellectual property royalty revenues (-24 pp), and unfavorable price/mix within other components of *Digital Capture and Devices* (-2 pp) largely due to declining customer demand for digital still cameras. These declines were partially offset by favorable cost improvements in *Consumer Inkjet Systems* (+4 pp).

Included in gross profit for the current quarter was a non-recurring intellectual property licensing agreement within *Digital Capture and Devices*. This licensing agreement contributed approximately \$78 million to gross profit in 2010, as compared with approximately \$421 million of gross profit from non-recurring licensing agreements in 2009.

Selling, General and Administrative Expenses

The increase in SG&A expenses for CDG was primarily driven by increased advertising costs.

GRAPHIC COMMUNICATIONS GROUP

(dollars in millions)

	Three Months Ended December 31				Increase / (Decrease)	% Change
	% of 2010 Sales		% of 2009 Sales			
Total net sales	\$757		\$779		\$ (22)	-3%
Cost of goods sold	573		569		4	1%
Gross profit	184	24.3%	210	27.0%	(26)	-12%
Selling, general and administrative expenses	133	18%	136	17%	(3)	-2%
Research and development costs	39	5%	38	5%	1	3%
Earnings from continuing operations before interest, other income (charges), net and income taxes	\$ 12	2%	\$ 36	5%	\$ (24)	-67%

	Three Months Ended December 31		Change vs. 2009			
	2010 Amount	Change vs. 2009	Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs
Total net sales	\$ 757	-2.8%	2.4%	-4.0%	-1.2%	n/a
Gross profit margin	24.3%	-2.7pp	n/a	-2.1pp	-0.2pp	-0.4pp

Revenues

The decrease in GCG net sales of approximately 3% for the quarter was primarily driven by unfavorable price/mix (-3%) and volume declines (-1%) within *Prepress Solutions*, as a result of the competitive pricing environment and industry overcapacity.

These declines were partially offset by growth in *Business Services and Solutions*, due to volume improvements (+3%) offset by unfavorable price/mix (-1%), reflecting a shift in sales toward lower capacity scanning equipment models. Volume

improvements were equally attributable to the launch of the Kodak i4000 Series Scanners and increased business process services in Latin America and Asia with both existing and new customers.

Gross Profit

GCG gross profit margin decreased primarily due to unfavorable price/mix within *Prepress Solutions*, reflecting a continued competitive pricing environment and industry overcapacity for digital plates.

FILM, PHOTOFINISHING AND ENTERTAINMENT GROUP

(dollars in millions)

	Three Months Ended				Increase / (Decrease)	%
	December 31					
	% of 2010 Sales	% of 2009 Sales				
Total net sales	\$439	\$589	\$	(150)	-25%	
Cost of goods sold	387	455		(68)	-15%	
Gross profit	52	11.8%	134	22.8%	(82)	-61%
Selling, general and administrative expenses	51	12%	73	12%	(22)	-30%
Research and development costs	4	1%	8	1%	(4)	-50%
(Loss) earnings from continuing operations before interest expense, other income (charges), net and income taxes	\$ (3)	-1%	\$ 53	9%	\$ (56)	-106%

	Three Months Ended		Change vs. 2009			
	December 31					
	2010 Amount	Change vs. 2009	Volume	Price/Mix	Foreign Exchange and Other Costs	Manufacturing Other Costs
Total net sales	\$ 439	-25.5%	-21.9%	-2.5%	-1.1%	n/a
Gross profit margin	11.8%	-11.0pp	n/a	-1.7pp	-0.1pp	-9.2pp

Revenues

The decrease in net sales for FPEG was primarily driven by secular volume declines and, additionally within *Entertainment Imaging*, the impact of the economic climate on film makers, resulting in lower motion picture film production.

Gross Profit

The decrease in gross profit margin for FPEG was primarily driven by increased manufacturing and other costs (-9 pp), largely as a result of higher silver and other commodity costs, and unfavorable price/mix (-2 pp), reflecting competitive pricing pressures across all SPGs. The decrease in gross profit dollars was also driven by lower sales volumes as discussed above.

Selling, General and Administrative Expenses

The decline in SG&A expenses for FPEG was primarily attributable to focused cost reduction actions.

RESULTS OF OPERATIONS - DISCONTINUED OPERATIONS

The loss from discontinued operations, net of taxes, in the fourth quarter of 2010 of \$11 million is primarily attributable to the recognition of legal costs related to a disposed operation. The earnings from discontinued operations, net of taxes, in the fourth quarter of 2009 of \$14 million were largely driven by the release of a foreign tax reserve.

RESTRUCTURING COSTS, RATIONALIZATION AND OTHER

The Company recognizes the need to continually rationalize its workforce and streamline its operations in the face of ongoing business and economic changes. The actual charges for restructuring and ongoing rationalization initiatives are recorded in the period in which the Company commits to a formalized restructuring or ongoing rationalization plan, or executes the specific actions contemplated by the plans and all criteria for liability recognition under the applicable accounting guidance have been met.

The Company's restructuring and rationalization charges and utilization for 2010 were as follows:

(in millions)	Exit		Fixed Assets &		Total
	Severance Reserve	Costs Reserve	Inventory Write-downs	Accelerated Depreciation	
Balance as of December 31, 2009	\$ 68	\$ 27	\$ -	\$ -	\$ 95
Q1 2010 charges	5	8	-	1	14
Q1 2010 utilization/cash payments	(32)	(5)	-	(1)	(38)
Q1 2010 other adjustments & reclasses (1)	(1)	-	-	-	(1)
Balance as of March 31, 2010	40	30	-	-	70
Q2 2010 charges	10	1	-	-	11
Q2 2010 utilization/cash payments	(15)	(7)	-	-	(22)
Q2 2010 other adjustments & reclasses (2)	(7)	-	-	-	(7)
Balance as of June 30, 2010	28	24	-	-	52
Q3 2010 charges	21	3	2	3	29
Q3 2010 utilization/cash payments	(8)	(4)	(2)	(3)	(17)
Q3 2010 other adjustments & reclasses (3)	(13)	-	-	-	(13)
Balance as of September 30, 2010	28	23	-	-	51
Q4 2010 charges	13	2	7	2	24
Q4 2010 utilization/cash payments	(12)	(5)	(7)	(2)	(26)
Q4 2010 other adjustments & reclasses (4)	(7)	-	-	-	(7)
Balance as of December 31, 2010	<u>\$ 22</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42</u>

(1) The \$(1) million reflects foreign currency translation adjustments.

(2) The \$(7) million includes \$(6) million for severance-related charges for pension plan curtailments, settlements, and special termination benefits, which are reflected in Pension and other postretirement liabilities and Other long-term assets in the Consolidated Statement of Financial Position. The remaining \$(1) million reflects foreign currency translation adjustments.

(3) The \$(13) million includes \$(15) million for special termination benefits, which are reflected in Other long-term assets in the Consolidated Statement of Financial Position. The remaining \$2 million reflects foreign currency translation adjustments.

(4) The \$(7) million represents special termination benefits, which are reflected in Pension and other postretirement liabilities in the Consolidated Statement of Financial Position.

During the three and twelve months ended December 31, 2010, the Company made cash payments of approximately \$17 million and \$88 million, respectively, related to restructuring and rationalization.

The \$24 million of charges for the fourth quarter of 2010 includes \$2 million of charges for accelerated depreciation, which were reported in cost of goods sold in the accompanying Consolidated Statement of Operations for the three months ended December 31, 2010. The remaining costs incurred of \$22 million were reported as restructuring costs, rationalization and other in the accompanying Consolidated Statement of Operations for the three months ended December 31, 2010. The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments, accelerated depreciation and inventory write-downs represent non-cash items.

The charges of \$24 million recorded in the fourth quarter of 2010 included \$15 million applicable to FPEG, \$1 million applicable to CDG, \$5 million applicable to GCG, and \$3 million that was applicable to manufacturing, research and development, and administrative functions, which are shared across all segments.

The ongoing restructuring and rationalization actions implemented in the fourth quarter of 2010 are expected to generate future annual cash savings of approximately \$17 million. These savings are expected to reduce future cost of goods sold, SG&A, and R&D expenses by \$8 million, \$7 million, and \$2 million, respectively. On a year-to-date basis, the ongoing

restructuring and rationalization actions implemented during the year 2010 are expected to generate future annual cash savings of approximately \$62 million. These savings are expected to reduce future cost of goods sold, SG&A, and R&D expenses by \$35 million, \$25 million, and \$2 million, respectively. The Company began realizing these savings in the first quarter of 2010, and expects the savings to be fully realized by the end of the second quarter of 2011 as most of the actions and severance payouts are completed.

For the three months ended December 31, 2009, the Company recorded \$61 million of charges, including \$10 million of charges for accelerated depreciation and \$4 million of charges for inventory write-downs, which were reported in Cost of goods sold in the accompanying Consolidated Statement of Operations. The remaining costs incurred, net of reversals, of \$47 million were reported as Restructuring costs, rationalization and other in the accompanying Consolidated Statement of Operations for the three months ended March 31, 2009.

CASH FLOW ACTIVITY

(in millions)	For the Year Ended		
	December 31,		
	2010	2009	Change
<u>Cash flows from operating activities:</u>			
Net cash used in operating activities	\$ (219)	\$ (136)	\$ (83)
<u>Cash flows from investing activities:</u>			
Net cash used in investing activities	(112)	(22)	\$ (90)
<u>Cash flows from financing activities:</u>			
Net cash (used in) provided by financing activities	(74)	33	\$ (107)
Effect of exchange rate changes on cash	5	4	1
Net decrease in cash and cash equivalents	\$ (400)	\$ (121)	\$ (279)

Operating Activities

Net cash used in operating activities increased \$83 million for the year ended December 31, 2010 as compared with the prior year due to the combination of working capital changes and use of cash for settlement of other liabilities in the current year using more cash than those factors in the prior year. This increase in cash used in operating activities was partially offset by the reduction in the Company's net loss.

Cash received in 2010 related to non-recurring licensing agreements, net of applicable withholding taxes, of \$629 million, was \$7 million higher than cash received in 2009 related to non-recurring licensing agreements of \$622 million.

Investing Activities

Net cash used in investing activities increased \$90 million for the year ended December 31, 2010 as compared with 2009 due primarily to a decline of \$124 million in proceeds received from sales of assets and businesses. Approximately \$100 million of this decline is due to proceeds received from the sale of assets of the Company's OLED group in the prior year quarter. Partially offsetting this decline were a decrease in cash used for acquisitions of \$17 million and a reduction in funding of restricted cash of \$13 million.

Financing Activities

Net cash used in financing activities increased \$107 million for the year ended December 31, 2010 as compared with 2009 due to lower proceeds received from borrowings in the current year, primarily due to the Company's debt refinancing in the fourth quarter of 2009 for which it received approximately \$100 million of net proceeds. Partially offsetting this decrease was a reduction of debt issuance costs of \$18 million, also primarily related to the fourth quarter 2009 debt refinancing.

CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this document may be forward-looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to the Company's expectations regarding the following are forward-looking statements: revenue; revenue growth; gross margins; savings from restructuring and rationalization; earnings; cash generation; and potential revenue, cash and earnings from intellectual property licensing.

Actual results may differ from those expressed or implied in forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include, among others, the following risks,

uncertainties, assumptions and factors as described in more detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Cautionary Statement Pursuant to Safe Harbor Provisions the Private Litigation Reform Act of 1995" and in other filings the Company makes with the SEC from time to time:

- Continued weakness or worsening of economic conditions which could continue to adversely impact our financial performance and our liquidity;
- Whether we are successful with the strategic investment decisions we have made which could adversely affect our financial performance;
- Whether we effectively anticipate technology trends and develop and market new products to respond to changing customer preferences which could adversely affect our revenue and earnings;
- The competitive pressures we face which could adversely affect our revenue, earnings and market share;
- Whether our commercialization and manufacturing processes prevent product reliability and quality issues which could adversely affect our revenue, earnings and market share;
- Whether we are successful in licensing and enforcing our intellectual property rights or in defending against alleged infringement of the intellectual property rights of others which could adversely affect our revenue, earnings, expenses and liquidity;
- Changes in currency exchange rates, interest rates and commodity costs which could adversely impact our results of operations and financial position;
- Whether our pension and post-retirement plan costs and contribution levels are impacted by changes in actuarial assumptions, future market performance of plan assets or obligations imposed by legislative or regulatory authorities which could adversely affect our financial position, results of operation and cash flow;
- Whether we are successful in attracting, retaining and motivating key employees which could adversely affect our revenue and earnings;
- Our reliance on third party suppliers which could adversely affect our revenue, earnings and results of operations; and
- Whether we are required to recognize additional impairments in the value of our goodwill which could increase expenses and reduce profitability.

The Company cautions readers to carefully consider such factors. Many of these factors are beyond the Company's control. In addition, any forward-looking statements represent the Company's estimates only as of the date they are made, and should not be relied upon as representing the Company's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so, even if its estimates change.

Any forward-looking statements in this document should be evaluated in light of the factors and uncertainties referenced above and should not be unduly relied upon.

Eastman Kodak Company

CONSOLIDATED STATEMENT OF OPERATIONS - UNAUDITED

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2010	2009	2010	2009
(in millions, except per share data)				
Net sales	\$ 1,927	\$ 2,582	\$ 7,187	\$ 7,606
Cost of goods sold	1,554	1,695	5,240	5,838
Gross profit	373	887	1,947	1,768
Selling, general and administrative expenses	342	347	1,279	1,302
Research and development costs	79	86	322	356
Restructuring costs, rationalization and other	22	47	70	226
Other operating (income) expenses, net	(6)	(101)	(7)	(88)

(Loss) earnings from continuing operations before interest expense, other income (charges), net and income taxes	(64)	508	283	(28)
Interest expense	32	44	149	119
Loss on early extinguishment of debt	-	-	102	-
Other income (charges), net	23	22	27	30
(Loss) earnings from continuing operations before income taxes	(73)	486	59	(117)
(Benefit) provision for income taxes	(106)	56	117	115
Earnings (loss) from continuing operations	33	430	(58)	(232)
(Loss) earnings from discontinued operations, net of income taxes	(11)	14	(12)	17
Extraordinary item, net of tax	-	-	-	6
NET EARNINGS (LOSS)	22	444	(70)	(209)
Less: Net earnings attributable to noncontrolling interests	-	(1)	-	(1)
NET EARNINGS (LOSS) ATTRIBUTABLE TO EASTMAN KODAK COMPANY	\$ 22	\$ 443	\$ (70)	\$ (210)
Basic net earnings (loss) per share attributable to Eastman Kodak Company common shareholders:				
Continuing operations	\$ 0.12	\$ 1.60	\$ (0.22)	\$ (0.87)
Discontinued operations	(0.04)	0.05	(0.04)	0.07
Extraordinary item, net of tax	-	-	-	0.02
Total	\$ 0.08	\$ 1.65	\$ (0.26)	\$ (0.78)
Diluted net earnings (loss) per share attributable to Eastman Kodak Company common shareholders:				
Continuing operations	\$ 0.12	\$ 1.36	\$ (0.22)	\$ (0.87)
Discontinued operations	(0.04)	0.04	(0.04)	0.07
Extraordinary item, net of tax	-	-	-	0.02
Total	\$ 0.08	\$ 1.40	\$ (0.26)	\$ (0.78)

Eastman Kodak Company

CONSOLIDATED STATEMENT OF OPERATIONS - UNAUDITED(Continued)

(in millions)	Three Months Ended		Twelve Months Ended	
	December 31	December 31	December 31	December 31
	2010	2009	2010	2009
Amounts attributable to Eastman Kodak Company common shareholders (Basic EPS)				
Continuing operations	\$ 33	\$ 429	\$ (58)	\$ (233)

Discontinued operations	(11)	14	(12)	17
Extraordinary item, net of tax	-	-	-	6
Total	<u>\$ 22</u>	<u>\$ 443</u>	<u>\$ (70)</u>	<u>\$ (210)</u>
Amounts attributable to Eastman Kodak Company common shareholders (Diluted EPS)				
Continuing operations	\$ 33	\$ 439	\$ (58)	\$ (233)
Discontinued operations	(11)	14	(12)	17
Extraordinary item, net of tax	-	-	-	6
Total	<u>\$ 22</u>	<u>\$ 453</u>	<u>\$ (70)</u>	<u>\$ (210)</u>
Number of common shares used in basic net earnings (loss)				
per share	268.8	268.0	268.5	268.0
Incremental shares from assumed issuance of unvested share-based awards				
	3.5	1.0	-	-
Convertible securities	-	54.0	-	-
Number of common shares used in diluted net earnings (loss)				
per share	<u>272.3</u>	<u>323.0</u>	<u>268.5</u>	<u>268.0</u>

Eastman Kodak Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - UNAUDITED

(in millions, except share and per share data)

	As of December 31,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,624	\$ 2,024
Receivables, net	1,259	1,395
Inventories, net	696	679
Deferred income taxes	119	121
Other current assets	101	84
Total current assets	<u>3,799</u>	<u>4,303</u>
Property, plant and equipment, net	1,037	1,254
Goodwill	920	907
Other long-term assets	1,088	1,227
TOTAL ASSETS	<u>\$ 6,844</u>	<u>\$ 7,691</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable, trade	\$ 959	\$ 919
Short-term borrowings and current portion of long-term debt	50	62
Accrued income taxes	343	23
Other current liabilities	1,487	1,892
Total current liabilities	<u>2,839</u>	<u>2,896</u>

Long-term debt, net of current portion	1,195	1,129
Pension and other postretirement liabilities	2,682	2,694
Other long-term liabilities	626	1,005
Total liabilities	<u>7,342</u>	<u>7,724</u>
Commitments and Contingencies		
EQUITY		
Common stock, \$2.50 par value, 950,000,000 shares authorized; 391,292,760 shares issued as of December 31, 2010 and 2009; 268,898,978 and 268,630,514 shares outstanding as of December 31, 2010 and 2009	978	978
Additional paid in capital	1,105	1,093
Retained earnings	5,586	5,676
Accumulated other comprehensive loss	(2,175)	(1,760)
	<u>5,494</u>	<u>5,987</u>
Treasury stock, at cost; 122,393,782 shares as of December 31, 2010 and 122,662,246 shares as of December 31, 2009	(5,994)	(6,022)
Total Eastman Kodak Company shareholders' (deficit) equity	<u>(500)</u>	<u>(35)</u>
Noncontrolling interests	2	2
Total (deficit) equity	<u>(498)</u>	<u>(33)</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 6,844</u>	<u>\$ 7,691</u>

Eastman Kodak Company

CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

(in millions)	Twelve Months Ended	
	December 31 2010	2009
Cash flows from operating activities:		
Net loss	\$ (70)	\$ (209)
Adjustments to reconcile to net cash provided by operating activities:		
Loss (earnings) from discontinued operations, net of income taxes	12	(17)
Earnings from extraordinary items, net of income taxes	-	(6)
Depreciation and amortization	378	427
Gain on sales of businesses/assets	(8)	(100)
Loss on early extinguishment of debt	102	-
Non-cash restructuring and rationalization costs, asset impairments and other charges	9	28
Benefit for deferred income taxes	(90)	(99)
Decrease in receivables	118	363
(Increase) decrease in inventories	(28)	276
Decrease in liabilities excluding borrowings	(572)	(821)
Other items, net	<u>(70)</u>	<u>22</u>

Total adjustments		
Net cash used in operating activities	<u>(149)</u>	<u>(138)</u>
Cash flows from investing activities:		
Additions to properties	(149)	(152)
Proceeds from sales of businesses/assets	32	156
Acquisitions, net of cash acquired	-	(17)
Use (funding) of restricted cash account	1	(12)
Marketable securities - sales	74	39
Marketable securities - purchases	<u>(70)</u>	<u>(36)</u>
Net cash used in investing activities	<u>(112)</u>	<u>(22)</u>
Cash flows from financing activities:		
Proceeds from borrowings	503	712
Repayment of borrowings	(565)	(649)
Debt issuance costs	<u>(12)</u>	<u>(30)</u>
Net cash (used in) provided by financing activities	<u>(74)</u>	<u>33</u>
Effect of exchange rate changes on cash	<u>5</u>	<u>4</u>
Net decrease in cash and cash equivalents	(400)	(121)
Cash and cash equivalents, beginning of year	2,024	2,145
Cash and cash equivalents, end of year	<u>\$ 1,624</u>	<u>\$ 2,024</u>

Net Sales from Continuing Operations by Reportable Segment and All Other - Unaudited

(in millions)

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2010	2009	Change	Foreign Currency Impact*	2010	2009	Change	Foreign Currency Impact*
Consumer Digital Imaging Group								
Inside the U.S.	\$ 407	\$ 868	-53%	0%	\$1,781	\$1,618	10%	0%
Outside the U.S.	<u>324</u>	<u>344</u>	-6	-4	<u>958</u>	<u>1,001</u>	-4	-2
Total Consumer Digital Imaging Group	<u>731</u>	<u>1,212</u>	-40	-1	<u>2,739</u>	<u>2,619</u>	+5	-1
Graphic Communications Group								
Inside the U.S.	210	214	-2	0	810	831	-3	0
Outside the U.S.	<u>547</u>	<u>565</u>	-3	-2	<u>1,871</u>	<u>1,895</u>	-1	0
Total Graphic Communications Group	<u>757</u>	<u>779</u>	-3	-1	<u>2,681</u>	<u>2,726</u>	-2	0
Film, Photofinishing and Entertainment Group								
Inside the U.S.	96	131	-27	0	397	508	-22	0
Outside the U.S.	<u>343</u>	<u>458</u>	-25	-1	<u>1,370</u>	<u>1,749</u>	-22	0
Total Film, Photofinishing and Entertainment Group	439	589	-25	-1	1,767	2,257	-22	0

All Other									
Inside the U.S.	-	2			-	5			
Outside the U.S.	-	-			-	(1)			
Total All Other	-	2			-	4			
Consolidated									
Inside the U.S.	713	1,215	-41	0	2,988	2,962	+1	0	
Outside the U.S.	1,214	1,367	-11	-2	4,199	4,644	-10	-1	
Consolidated Total	<u>\$1,927</u>	<u>\$2,582</u>	-25%	-1%	<u>\$7,187</u>	<u>\$7,606</u>	-6%	0%	

* Represents the percentage point change in segment net sales for the period that is attributable to foreign currency fluctuations

(Loss) Earnings from Continuing Operations Before Interest Expense, Other Income (Charges), Net and Income Taxes - Unaudited

(in millions)	Three Months Ended			Twelve Months Ended		
	December 31,			December 31,		
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
Consumer Digital Imaging Group	\$(57)	\$380	-115%	\$330	\$35	843%
Graphic Communications Group	12	36	-67	(29)	(42)	+31
Film, Photofinishing and Entertainment Group	(3)	53	-106	62	159	-61
All Other	-	(3)	+100	(1)	(13)	+92
Total of segments	<u>(48)</u>	<u>466</u>	<u>-110</u>	<u>362</u>	<u>139</u>	<u>+160</u>
Restructuring costs, rationalization and other	(24)	(61)		(78)	(258)	
Other operating income (expenses), net	6	101		7	88	
Adjustments to contingencies and legal reserves/settlements	2	2		(8)	3	
Loss on early extinguishment of debt	-	-		(102)	-	
Interest expense	(32)	(44)		(149)	(119)	
Other income (charges), net	<u>23</u>	<u>22</u>		<u>27</u>	<u>30</u>	
Consolidated (loss) earnings from continuing operations before income taxes	<u>\$(73)</u>	<u>\$486</u>	-115%	<u>\$59</u>	<u>\$(117)</u>	+150%

SOURCE: Eastman Kodak Company

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