

Kodak ends 2012 with lots of red ink, some silver linings

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The year 2012 was a miserable time for Eastman Kodak Co. Bankruptcy. Shriveling sales. The smallest workforce it had locally since Theodore Roosevelt was in the White House. And a deep, deep lake of red ink.

But 2012 was — in a few key ways — a better year than 2010 or 2011 had been. And there were some hopeful signs for 2013.

Kodak on Monday put out its financial results for 2012 overall. And the numbers were generally lousy, chief among them a net loss of almost \$1.4 billion for the year. But minus the slightly more than \$1 billion the company spent last year on restructuring and on all the costs associated with bankruptcy, such as vast fortunes spent on various attorneys and consultants, and Kodak lost \$308 million last year — hundreds of millions less than it did in 2011 or 2010.

Overall for the year, Kodak had sales of \$4.1 billion, down significantly from 2011's \$5.2 billion or 2010's \$6 billion. According to Kodak, that drop was due to everything from "strategic decisions to focus on profitable businesses and accounts" to a weak overall economy, sliding sales of its film-based products and foreign currency exchange issues.

However, the businesses that Kodak is banking on to be its future showed some hopeful signs. Its Commercial Imaging businesses, which include commercial printing and its motion picture film lines, had a loss of \$244 million not counting certain expenses such as taxes and reorganization spending. That's an improvement over 2011's \$542 million loss.

"We progressed in 2012 by maintaining absolute focus on our customers," CEO Antonio M. Perez said in a statement. "We earned our customers' continuing loyalty and look forward to moving ahead with even deeper business relationships built around the industry's most comprehensive and innovative portfolio of solutions."

The two big operations Kodak has for sale, Document Imaging and Personalized Imaging, had a loss of \$56 million not counting some expenses, compared to being in the black by \$75 million in 2011. Personalized Imaging includes Kodak's photography film and photographic paper businesses.

Those sales surely will drive Kodak's employment figures down even lower. As of the end of 2012, Kodak employed roughly 3,500 locally — about a tenth of what it did 15 years ago. That drop means Kodak is no longer one of the area's 10 largest employers in the Rochester area. And significant numbers of its Rochester-area workers will likely be among those going to new owners with the Document and Personalized Imaging sales, though Kodak has not broken down those employment numbers.

The 2012 numbers also show Kodak making significant headway in cutting its costs. For the year, the company spent \$824 million on administrative, general and selling expenses — 21 percent less than a year earlier. At the same time, gross profits — profits not counting such expenses as R&D, restructuring and administrative costs — also were down. According to Kodak, the drop in gross profits was due to higher costs as the company spent more on pensions and retiree benefits — costs that will be about \$100 million less this year and in subsequent years.

Kodak currently has an end of April deadline for filing with U.S. Bankruptcy Court its plan spelling out what it will look like post bankruptcy. The company has said it expects to be done with bankruptcy by mid 2013.

In a statement, Perez said Kodak in 2012 came out on target or ahead of its goals "and we have remained in compliance with the covenants (of its bankruptcy borrowing agreements) laying the foundation for emergence as a profitable, sustainable company."