EASTMAN KODAK CO
Form 10-K
February 29, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

X Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended December 31, 2011 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number 1-87

EASTMAN KODAK COMPANY
(Exact name of registrant as specified in its charter)

NEW JERSEY	16-0417150
(State of incorporation)	(IRS Employer Identification No.)
343 STATE STREET, ROCHESTER, NEW YORK	14650
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 585-724-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock, $2.50 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.[ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

The aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2011 was approximately $963 million. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of February 17, 2012 was 271,415,654 shares of common stock.

PART III OF FORM 10-K

Information required by Items 11, 13, 14, and portions of Items 10 and 12 will be provided in an amendment to this Form 10-K in accordance with General Instruction G(3) to Form 10-K.

Item 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Item 11 - EXECUTIVE COMPENSATION

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Item 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Item 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

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December 31, 2011

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PART I

ITEM 1. BUSINESS

Eastman Kodak Company (the "Company" or "Kodak") helps consumers, businesses, and creative professionals unleash the power of pictures and printing to enrich their lives. When used in this report, unless otherwise indicated, "we," "our," "us," the "Company" and "Kodak" refer to Eastman Kodak Company.

Kodak was founded by George Eastman in 1880 and incorporated in 1901 in the State of New Jersey. The Company is headquartered in Rochester, New York.

CHAPTER 11 FILING

On January 19, 2012 (the "Petition Date"), Eastman Kodak Company and its U.S. subsidiaries (together with the Company, the "Debtors") filed voluntary petitions for relief (the "Bankruptcy Filing") under chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") case number 12-10202. The Company's foreign subsidiaries (collectively, the "Non-Filing Entities") were not part of the Bankruptcy Filing. The Debtors will continue to operate their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. The Non-Filing Entities will continue to operate in the ordinary course of business.

The Bankruptcy Filing is intended to permit the Company to reorganize and improve liquidity in the U.S. and abroad, monetize non-strategic intellectual property, fairly resolve legacy liabilities, and focus on the most valuable business lines to enable sustainable profitability. The Company's goal is to develop and implement a reorganization plan that meets the standards for confirmation under the Bankruptcy Code. Confirmation of a reorganization plan could materially alter the classifications and amounts reported in the Company's consolidated financial statements, which do not give effect to any adjustments to the carrying values of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a reorganization plan or other arrangement or the effect of any operational changes that may be implemented.

Operation and Implication of the Bankruptcy Filing

Under Section 362 of the Bankruptcy Code, the filing of voluntary bankruptcy petitions by the Debtors automatically stayed most actions against the Debtors, including most actions to collect indebtedness incurred prior to the Petition Date or to exercise control over the Company's property. Accordingly, although the Bankruptcy Filing triggered defaults for certain of the Debtor's debt obligations, creditors are stayed from taking any actions as a result of such defaults. Absent an order of the Bankruptcy Court, substantially all of the Company's pre-petition liabilities are subject to settlement under a reorganization plan. As a result of the Bankruptcy Filing the realization of assets and the satisfaction of liabilities are subject to uncertainty. The Debtors, operating as debtors-in-possession under the Bankruptcy Code, may, subject to approval of the Bankruptcy Court, sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements. Further, a confirmed reorganization plan or other arrangement may materially change the amounts and classifications in the Company's consolidated financial statements.

Subsequent to the Petition Date, the Company received approval from the Bankruptcy Court to pay or otherwise honor certain pre-petition obligations generally designed to stabilize the Company's operations. These obligations related to certain employee wages, salaries and benefits, and the payment of vendors and other providers in the ordinary course for goods and services received after the Petition Date. The Company has retained, pursuant to Bankruptcy Court approval, legal and financial professionals to advise the Company in connection with the Bankruptcy Filing and certain other professionals to provide services and advice in the ordinary course of business. From time to time, the Company may seek Bankruptcy Court approval to retain additional professionals.

The U.S. Trustee for the Southern District of New York (the “U.S. Trustee”) has appointed an official committee of unsecured creditors (the “UCC”). The UCC and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court on all matters affecting the Debtors. There can be no assurance that the UCC will support the Company’s positions on matters to be presented to the Bankruptcy Court in the future or on any reorganization plan, once proposed.

Reorganization Plan

In order for the Company to emerge successfully from chapter 11, the Company must obtain the Bankruptcy Court’s approval of a reorganization plan, which will enable the Company to transition from chapter 11 into ordinary course operations outside of bankruptcy. In connection with a reorganization plan, the Company also may require a new credit facility, or “exit financing.” The Company’s ability to obtain such approval and financing will depend on, among other things, the timing and outcome of various ongoing matters related to the

Bankruptcy Filing. A reorganization plan determines the rights and satisfaction of claims of various creditors and security holders, and is subject to the ultimate outcome of negotiations and Bankruptcy Court decisions ongoing through the date on which the reorganization plan is confirmed.

Although the Company's goal is to file a plan of reorganization, the Company may determine that it is in the best interests of the Debtors' estates to seek Bankruptcy Court approval of a sale of all or a portion of the Company's assets pursuant to Section 363 of the Bankruptcy Code or seek confirmation of a reorganization plan providing for such a sale or other arrangement.

The Company intends to propose a reorganization plan on or prior to the applicable date required under the Bankruptcy Code, as the same may be extended with approval of the Bankruptcy Court. The Company presently expects that any proposed reorganization plan will provide, among other things, mechanisms for settlement of claims against the Debtors' estates, treatment of the Company's existing equity and debt holders, and certain corporate governance and administrative matters pertaining to the reorganized Company. Any proposed reorganization plan will be subject to revision prior to submission to the Bankruptcy Court based upon discussions with the Company's creditors and other interested parties, and thereafter in response to creditor claims and objections and the requirements of the Bankruptcy Code or the Bankruptcy Court. There can be no assurance that the Company will be able to secure approval for the Company's proposed reorganization plan from the Bankruptcy Court or that the Company's proposed plan will be accepted by the lenders under the DIP Credit Agreement, as discussed below. In the event the Company does not secure approval of the reorganization plan, the outstanding principal and interest could become immediately due and payable.

Debtor-in-Possession Credit Agreement

In connection with the Bankruptcy Filing, on January 20, 2012, the Company and Kodak Canada Inc. (the "Canadian Borrower" and, together with the Company, the "Borrowers") entered into a Debtor-in-Possession Credit Agreement as amended on January 25, 2012 (the "DIP Credit Agreement"). The DIP Credit Agreement, provides for an aggregate principal amount of up to $950 million, consisting of up to $250 million super-priority senior secured asset-based revolving credit facilities and $700 million super-priority senior secured term loan facility. Up to $25 million of the revolving credit facility will be available to the Canadian Borrower and may be borrowed in Canadian Dollars. Refer to "Liquidity and Capital Resources" in Item 7, "Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations" for further discussion of the terms of the DIP Credit Agreement.

Chief Restructuring Officer

In connection with the Bankruptcy Filing, the Company hired James A. Mesterharm of AlixPartners as Chief Restructuring Officer to assist in the implementation and execution of the Company's reorganization plan.

REPORTABLE SEGMENTS

The Company reports financial information for three reportable segments: Consumer Digital Imaging Group ("CDG"), Graphic Communications Group ("GCG"), and Film, Photofinishing and Entertainment Group ("FPEG"). The balance of the Company's operations, which individually and in the aggregate do not meet the criteria of a reportable segment, are reported in All Other.

The Company's sales, earnings and assets by reportable segment for these three reportable segments and All Other for each of the past three years are shown in Note 25, "Segment Information," in the Notes to Financial Statements.

2012 Reportable Segments

For 2012, the Company will report financial information for two reportable segments; Commercial Group and Consumer Group.

The Commercial Group will be comprised of the following: Graphics, Entertainment & Commercial Film Business, Digital and Functional Printing, and Enterprise Services and Solutions.

The Consumer Group will be comprised of the following: Intellectual Property and the Consumer Business: Retail Systems Solutions, Consumer Inkjet Systems, Traditional Photofinishing, and Digital Capture and Devices.

CONSUMER DIGITAL IMAGING GROUP (“CDG”) SEGMENT

CDG's mission is to enhance people’s lives and social interactions through the capabilities of digital imaging and printing technology. CDG’s strategy is to drive profitable revenue growth by leveraging a powerful brand, a deep knowledge of the consumer, and extensive digital imaging and materials science intellectual property.

Digital Capture and Devices: Digital Capture and Devices includes digital still and pocket video cameras, digital picture frames, accessories, and branded licensed products. These products are sold directly to retailers or distributors, and are also available to customers through the Internet at the KODAK Store (www.kodak.com) and other online providers. Digital Capture and Devices also includes licensing activities related to the Company’s intellectual property in digital imaging products. As announced on February 9, 2012, the Company plans to phase out its dedicated capture devices business, including digital cameras, pocket video cameras, and digital picture frames in the first half of 2012.

Net sales of Digital Capture and Devices accounted for 15%, 28%, and 23% of total consolidated revenue for the years ended December 31, 2011, 2010, and 2009, respectively.

Net revenues from licensing and royalties within Digital Capture and Devices in the CDG segment accounted for 1%, 12%, and 6% of total consolidated revenue for the years ended December 31, 2011, 2010, and 2009, respectively.

Retail Systems Solutions: Retail Systems Solutions’ product and service offerings to retailers include kiosks and consumables, Adaptive Picture Exchange (“APEX”) drylab systems and consumables, and after sale service and support. Consumers can create a wide variety of photo gifts including photo books, personal greeting cards, prints, posters, and collages. Kodak has the largest installed base of retail photo kiosks in the world.

Consumer Inkjet Systems: Consumer Inkjet Systems encompasses Kodak All-in-One desktop inkjet printers, ink cartridges, and media. These products are sold directly to retailers or distributors, and are also available to customers through the Internet at the KODAK Store (www.kodak.com) and other online providers. Consumer Inkjet Systems is one of Kodak’s four digital growth initiative businesses, and in 2011, printer unit shipments grew 35% year-on-year.

Consumer Imaging Services: Kodak Gallery is a leading online merchandise and photo sharing service. The www.kodakgallery.com website provides consumers with a secure and easy way to view, store and share their images with friends and family, and to receive Kodak prints and other creative products from their pictures, such as photo books, frames, calendars, and other personalized merchandise.

Kodak also distributes KODAK EasyShare desktop software at no charge to consumers, which provides easy organization and editing tools, and unifies the experience between digital cameras, printers, and the KodakGallery services.

Marketing and Competition: CDG faces competition from consumer electronics and printer companies, and other online service companies in the markets in which it competes, generally competing on price, features, and technological advances.

The key elements of CDG’s marketing strategy emphasize ease of use, quality, total cost of ownership value proposition, and the complete solution offered by Kodak products and services. This is communicated through a combination of in-store presentation, an aggressive social media strategy, online marketing, advertising, customer relationship marketing and public relations. The Company's advertising programs actively promote the segment’s products and services in its various markets, and its principal trademarks, trade dress, and corporate symbol are widely used and recognized. Kodak is frequently noted by trade and business publications as one of the most recognized and respected brands in the world.

GRAPHIC COMMUNICATIONS GROUP (“GCG”) SEGMENT

GCG is committed to helping its customers grow their businesses by offering innovative, powerful solutions that enhance production efficiency, open new revenue opportunities, and improve return on marketing investment. To this end, the Company has developed a wide-ranging portfolio of digital products - workflow, equipment, media, and services - that combine to create a value-added complete solution to customers. GCG's strategy is to transform large graphics markets with revolutionary technologies and customized services that grow our customers' businesses and Kodak's business with them.

Prepress Solutions: Prepress Solutions is comprised of digital and traditional consumables, including plates, chemistry, and media, prepress output device equipment and related services, and proofing solutions. Prepress solutions also includes flexographic packaging solutions, which is one of Kodak's four digital growth initiative businesses.

Innovative products within Prepress Solutions include high productivity TRILLIAN SP plates and FLEXCEL NX packaging systems.

Net sales of Prepress Solutions accounted for 26%, 22% and 22% of total consolidated revenue for the years ended December 31, 2011, 2010, and 2009, respectively.

Digital Printing Solutions: Digital Printing Solutions includes high-speed, high-volume commercial inkjet printing equipment, consumables, and related services, as well as color and black-and-white electrophotographic printing equipment, consumables, and related services. Commercial inkjet is one of Kodak's four digital growth initiative businesses.

Innovative product offerings include PROSPER color and black-and-white presses, components and systems. These products utilize Kodak's revolutionary Stream technology to deliver high-speed, high-quality variable data inkjet printing on a broad range of media at a low running cost.

Business Services and Solutions: The Business Services and Solutions group's product and service offerings are composed of high-speed production and workgroup document scanners, related services, and digital controllers for driving digital output devices, and workflow software and solutions. Workflow software and solutions, which includes consulting and professional business process services, can enable new opportunities for our customers to transform from a print service provider to a marketing service provider, and is one of Kodak's four digital growth initiatives.

Net sales of Business Services and Solutions accounted for 10%, 8%, and 8% of total consolidated revenue for the years ended December 31, 2011, 2010, and 2009, respectively.

Marketing and Competition: Around the world, GCG products and services are sold through a variety of direct and indirect channels. The end users of these products include businesses in the creative, in-plant, data center, commercial printing, packaging, newspaper, and digital prepress market segments.

GCG faces competition from other companies who offer a range of commercial offset and digital printing equipment, consumables and service. The Company also faces competition from document scanning equipment manufacturers, software companies, and other service providers. Competitiveness is generally focused on technology, solutions and price.

FILM, PHOTOFINISHING AND ENTERTAINMENT GROUP ("FPEG") SEGMENT

FPEG provides consumers, professionals, and the entertainment industry with film and paper for imaging and photography. Although the market for consumer and professional films, traditional photofinishing and certain industrial and aerial films are in decline and expected to continue to decline due to digital substitution, FPEG maintains leading market positions for these products. The strategy of FPEG is to provide sustainable cash generation by extending our materials science assets in traditional and new markets.

Entertainment Imaging: Entertaining Imaging includes origination, intermediate, and color print motion picture films, special effects services, and other digital products and services for the entertainment industry.

Net sales of Entertainment Imaging accounted for 9%, 10%, and 12% of total consolidated revenue for the years ended December 31, 2011, 2010, and 2009, respectively.

Traditional Photofinishing: Traditional Photofinishing includes color negative photographic paper, photochemicals, professional output systems, and event imaging services.

Net sales of Traditional Photofinishing accounted for 12%, 10%, and 11% of total consolidated revenue for the years ended December 31, 2011, 2010, and 2009, respectively.

Industrial Materials: Industrial Materials encompasses aerial and industrial film products, film for the production of printed circuit boards, and specialty chemicals, and represents a key component of FPEG's strategy of extending and repurposing our materials science assets.

Film Capture: Film Capture includes consumer and professional photographic film and one-time-use cameras.

Marketing and Competition: Film products and services for the consumer and professional markets and traditional photofinishing are sold throughout the world, both directly to retailers, and increasingly through distributors. Price competition continues to exist in all marketplaces. To be more cost competitive with its traditional photofinishing and film offerings, and to shift towards a variable cost model, the Company has rationalized capacity and restructured its go-to-market models in many of its traditional market segments.

Throughout the world, most Entertainment Imaging products are sold directly to studios, laboratories, independent filmmakers or production companies. Quality and availability are important factors for these products, which are sold in a price-competitive environment. The distribution of motion pictures to theaters is another important element of the Entertainment Imaging business, one in which the Company continues to be widely recognized as a market leader. Price competition is a bigger factor in this segment of the motion picture market, but the Company continues to maintain leading share position. As the industry continues to move to digital cinema formats, the Company anticipates that it will face new competitors, including some of its current customers and other electronics manufacturers.

FINANCIAL INFORMATION BY GEOGRAPHIC AREA

Financial information by geographic area for the past three years is shown in Note 25, “Segment Information,” in the Notes to Financial Statements.

RAW MATERIALS

The raw materials used by the Company are many and varied, and are generally readily available. Lithographic aluminum is the primary material used in the manufacture of offset printing plates. The Company procures lithographic aluminum coils from several suppliers on a spot basis or under contracts generally in place over the next one to two years. Silver is one of the essential materials used in the manufacture of films and photographic papers. The Company purchases silver from numerous suppliers under annual agreements or on a spot basis. Paper base is an essential material in the manufacture of photographic papers. The Company has a contract to acquire paper base from a certified photographic paper supplier through the end of 2012. Electronic components are used in the manufacture of digital cameras and devices, consumer and commercial printers, and other electronic devices. Although most electronic components are generally available from multiple sources, certain key electronic components included in the finished goods manufactured by and purchased from the Company’s third party suppliers are obtained from single or limited sources, which may subject the Company to supply risks.

SEASONALITY OF BUSINESS

Sales and earnings of the CDG segment are linked to the timing of holidays, vacations and other leisure or gifting seasons. Digital capture and consumer inkjet printing products have experienced peak sales during the last four months of the year as a result of the December holidays. Sales are normally lowest in the first quarter due to the absence of holidays and fewer picture-taking and gift-giving opportunities during that time.

Sales and earnings of the GCG segment generally exhibit modestly higher levels in the fourth quarter, due to seasonal customer demand linked to commercial year-end advertising processes.

Sales and earnings of the FPEG segment are linked to the timing of holidays, vacations and other leisure activities. Sales and earnings of traditional film and photofinishing products are normally strongest in the second and third quarters as demand is high due to heavy vacation activity and events such as weddings and graduations. Sales of entertainment imaging film are typically strongest in the second quarter reflecting demand due to the summer motion picture season.

RESEARCH AND DEVELOPMENT

Through the years, the Company has engaged in extensive and productive efforts in research and development.

Research and development expenditures for the Company’s three reportable segments and All Other were as follows:

(in millions)	For the Year Ended December 31,		
	2011	2010	2009
Consumer Digital Imaging Group	$134	$176	$166
Graphic Communications Group	147	159	173
Film, Photofinishing and Entertainment Group	11	20	33
All Other	-	2	6
Impact of exclusion of certain components of pension and OPEB expenses	(18)	(39)	(27)
Total	$274	$318	$351

Research and development is headquartered in Rochester, New York. Other U.S. groups are located in New Haven, Connecticut; Dayton, Ohio; Oakdale, Minnesota; and Emeryville and San Diego, California. Outside the U.S., groups are located in Canada, England, Israel, Germany, Japan, China, and Singapore. These groups work in close cooperation with manufacturing units and marketing organizations to develop new products and applications to serve both existing and new markets.

It has been the Company's general practice to protect its investment in research and development and its freedom to use its inventions by obtaining patents. The ownership of these patents contributes to the Company's ability to provide leadership products and to generate revenue from licensing. The Company holds portfolios of patents in several areas, including digital cameras; network photo sharing and fulfillment; flexographic and lithographic printing plates and systems; digital printing workflow and color management proofing systems; color and black-and-white electrophotographic printing systems; commercial, and consumer inkjet printers; inkjet inks and media; thermal dye transfer and dye sublimation printing systems; digital cinema; and color negative films, processing and papers.

The Company's major products are not dependent upon one single, material patent. Rather, the technologies that underlie the Company's products are supported by an aggregation of patents having various remaining lives and expiration dates. There is no individual patent expiration or group of patents expirations which are expected to have a material impact on the Company's results of operations.

ENVIRONMENTAL PROTECTION

The Company is subject to various laws and governmental regulations concerning environmental matters. The U.S. federal environmental legislation and state regulatory programs having an impact on the Company include the Toxic Substances Control Act, the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act, the NY State Chemical Bulk Storage Regulations and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (the “Superfund Law”).

It is the Company’s policy to carry out its business activities in a manner consistent with sound health, safety and environmental management practices, and to comply with applicable health, safety and environmental laws and regulations. The Company continues to engage in programs for environmental, health and safety protection and control.

Based upon information presently available, future costs associated with environmental compliance are not expected to have a material effect on the Company's capital expenditures, results of operations or competitive position, with the possible exception of matters related to the Passaic River, which are described in Note 11, "Commitments and Contingencies," in the Notes to Financial Statements, although costs could be material to a particular quarter or year.

EMPLOYMENT

At the end of 2011, the Company employed the full time equivalent of approximately 17,100 people, of whom approximately 8,350 were employed in the U.S. The actual number of employees may be greater because some individuals work part time.

AVAILABLE INFORMATION

The Company files many reports with the Securities and Exchange Commission ("SEC") (www.sec.gov), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. These reports, and amendments to these reports, are made available free of charge as soon as reasonably practicable after being electronically filed with or furnished to the SEC. They are available through the Company's website at www.Kodak.com. To reach the SEC filings, follow the links to Investor Center, and then SEC Filings. The Company also makes available its annual report to shareholders and proxy statement free of charge through its website. Additionally, the Company provides information related to the chapter 11 filing and reorganization plan through the Company's www.kodaktransforms.com website.

We have included the CEO and CFO certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this report. We have also included these certifications with the Form 10-K for the year ended December 31, 2010 filed on February 25, 2011.

ITEM 1A. RISK FACTORS

The Company's filing of voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code and the Company's ability to successfully emerge as a stronger, leaner company may be affected by a number of risks and uncertainties.
The Company is subject to a number of risks and uncertainties associated with the filing of voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code, which may lead to potential adverse effects on the Company's liquidity, results of operations, brand or business prospects. We cannot assure you of the outcome of the Company's chapter 11 proceeding. Risks associated with the chapter 11 filing may impact all entities, including the Non-Filing Entities, and include the following:

- the ability of the Company to continue as a going concern;
- the Company's ability to obtain Bankruptcy Court approval with respect to motions in the chapter 11 cases and the outcomes of Bankruptcy Court rulings of the case in general;
- the length of time the Company will operate under the chapter 11 cases and its ability to successfully emerge;
- the ability of the Company and its subsidiaries to develop and consummate one or more plans of reorganization with respect to the chapter 11 cases;
- the Company's ability to obtain Bankruptcy Court and creditor approval of its reorganization plan and the impact of alternative proposals, views and objections of creditor committees and representatives, which may make it difficult to develop and consummate a reorganization plan in a timely manner;
- risks associated with third party motions in the chapter 11 cases, which may interfere with the Company's plans of reorganization;
- the ability to maintain sufficient liquidity throughout the chapter 11 proceedings;
- increased costs related to the bankruptcy filing and other litigation;
- the Company's ability to manage contracts that are critical to its operation, to obtain and maintain appropriate terms with customers, suppliers and service providers;
- whether the Company's non-U.S. subsidiaries continue to operate their businesses in the normal course;
- the Company's ability to fairly resolve legacy liabilities in alignment with the Company's plan of reorganization;
- the outcome of all pre-petition claims against the Company; and the Company's ability to maintain existing customers, vendor relationships and expand sales to new customers.

Continued investment, capital needs, restructuring payments and servicing the Company's debt require a significant amount of cash and the Company's ability to generate cash may be affected by factors beyond the Company's control.

The Company’s business may not generate cash flow in an amount sufficient to enable us to pay the principal of, or interest on, the Company’s indebtedness, or to fund the Company’s other liquidity needs, including working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances, and other general corporate requirements.

The Company’s ability to generate cash is subject to general economic, financial, competitive, litigation, regulatory and other factors that are beyond the Company’s control. We cannot assure you that:

- the Company’s businesses will generate sufficient cash flow from operations;
- the Company’s plans to generate cash proceeds through the sale of non-core assets will be successful;
- the Company’s ability to generate cash proceeds through the execution of the Company’s intellectual property licensing strategies, or the potential sale of the Company’s digital imaging patent portfolios will generate sufficient cash proceeds;
- we will be able to repatriate or move cash to locations where and when it is needed;

- we will realize cost savings, earnings growth and operating improvements resulting from the execution of the Company's chapter 11 business and restructuring plan; or
- future sources of funding will be available to us in amounts sufficient to enable us to fund the Company's liquidity needs.

If we cannot fund the Company's liquidity needs, we will have to take actions such as reducing or delaying capital expenditures, product development efforts, strategic acquisitions, and investments and alliances; selling additional assets; restructuring or refinancing the Company's debt; or seeking additional equity capital. These actions may be restricted as a result of the Company's chapter 11 filing and the DIP Credit Agreement. Such actions could increase the Company's debt, negatively impact customer confidence in the Company's ability to provide products and services, reduce the Company's ability to raise additional capital, and delay sustained profitability. We cannot assure you that any of these remedies could, if necessary, be affected on commercially reasonable terms, or at all, or that they would permit us to meet the Company's scheduled debt service obligations. The Company's DIP financing agreement requires that we use certain proceeds from asset sales to make payments to secured lenders. In addition, if we incur additional debt, the risks associated with the Company's substantial leverage, including the risk that we will be unable to service the Company's debt or generate enough cash flow to fund the Company's liquidity needs, could intensify.

The Company's plans to raise cash proceeds from the sale of non-core assets and the potential sale of the Company's digital imaging patent portfolio may not be successful in raising sufficient cash, may be negatively impacted by factors beyond the Company's control and may harm the perception of us among customers, suppliers and service providers.
A number of factors could influence the Company's ability to successfully raise cash through asset sales and the sale of the Company's digital imaging patent portfolio, including the approval of the Court and the Unsecured Creditors Committee under chapter 11, the process utilized to sell these assets, the number of potential buyers for these assets, the purchase price such buyers are willing to offer for these assets and their capacity to fund the purchase, the potential impact of an adverse judicial ruling in one of the Company's litigation matters related to one or more of the patents in the digital imaging portfolio, or the ability of potential buyers to conclude transactions and potential issues in the closing of transactions due to regulatory or governmental review processes. One or more of these factors could negatively affect the timing of planned asset sales and the level of cash proceeds derived from the sales which could adversely impact the Company's cash generation and liquidity. Further, there is no assurance that these plans will be successful in raising sufficient cash proceeds or that the sale of certain of the Company's assets, including the digital imaging patent portfolio, will not harm the Company's customers', suppliers' and service providers' perception of us.

If we are unsuccessful with the Company's strategic investment decisions, the Company's financial performance could be adversely affected.
The Company has focused its investments on businesses in large growth markets that are positioned for technology and business model transformation, specifically, consumer inkjet, commercial inkjet (including the Company's Prosper line of products based upon the Company's Stream technology), packaging solutions, and workflow software and services. While we believe each of these businesses has significant growth potential, consumer inkjet, commercial inkjet, and workflow software and services also require additional investment. The introduction of successful innovative products and the achievement of scale are necessary for us to grow these businesses, improve margins and achieve the Company's financial objectives. If we are unsuccessful in growing the Company's investment businesses as planned, the Company's financial performance could be adversely affected.

The Company's failure to implement plans to reduce the Company's cost structure in anticipation of declining demand for certain products or delays in implementing such plans could negatively affect the Company's consolidated results of operations, financial position and liquidity.
We recognize the need to continually rationalize the Company's workforce and streamline the Company's operations to remain competitive in the face of an ever-changing business and economic climate. If we fail to implement cost

rationalization plans such as restructuring of manufacturing, supply chain, marketing sales and administrative resources ahead of declining demand for certain of the Company's products and services, the Company's operations results, financial position and liquidity could be negatively impacted. Additionally, if restructuring plans are not effectively managed, we may experience lost customer sales, product delays and other unanticipated effects, causing harm to the Company's business and customer relationships. The business plan associated with the Company's chapter 11 reorganization is subject to a number of assumptions, projections, and analysis. If these assumptions prove to be incorrect, we may be unsuccessful in executing the Company's plan, which could adversely impact our financial results and liquidity. Additionally, the Company's ability to execute restructuring within the entities filing for chapter 11 is subject to the approval by the Unsecured Creditors Committee and Bankruptcy Court. Finally, the timing and implementation of these plans require compliance with numerous laws and regulations, including local labor laws, and the failure to comply with such requirements may result in damages, fines and penalties which could adversely affect the Company's business.

There can be no assurance that the Company will be able to meet the requirements under our Debtor-in-Possession Credit Agreement.
In addition to standard financing covenants and events of default, the Debtor-in-Possession Credit Agreement (the "DIP Credit Agreement") also provides for (i) a periodic delivery by the Company of various financial statements set forth in the DIP Credit Agreement and (ii) specific milestones that the Company must achieve by specific target dates. In addition, the Company and its subsidiaries are required not to

permit consolidated adjusted EBITDA to be less than a specified level for certain periods, and to maintain minimum U.S. Liquidity (as defined in the DIP Credit Agreement).

A breach of any of the covenants contained in the DIP Credit Agreement, or our inability to comply with the required financial covenants in the DIP Credit Agreement, when applicable, could result in an event of default under the DIP Credit agreement, subject, in certain cases, to applicable grace and cure periods. If any event of default occurs and we are not able either to cure it or obtain a waiver from the requisite lenders under the DIP Credit Agreement, the administrative agent of the DIP Credit Agreement may, and at the request of the requisite lenders shall, declare all of our outstanding obligations under the DIP Credit Agreement, together with accrued interest and fees, to be immediately due and payable, and the agent under the DIP Credit Agreement may, and at the request of the requisite lenders shall, terminate the lenders' commitments under the DIP Credit Agreement and cease making further loans, and if applicable, the agent could institute foreclosure proceedings against our pledged assets. This could adversely affect our operations and our ability to satisfy our obligations as they come due.

The Company's future pension and other postretirement benefit plan costs and required level of contributions could be unfavorably impacted by changes in actuarial assumptions, future market performance of plan assets and obligations imposed by legislation or pension authorities which could adversely affect the Company's financial position, results of operations, and cash flow.

We have significant defined benefit pension and other postretirement benefit obligations. The funded status of the Company's U.S. and non U.S. defined benefit pension plans and other postretirement benefit plans, and the related cost reflected in the Company's financial statements, are affected by various factors that are subject to an inherent degree of uncertainty, particularly in the current economic environment. Key assumptions used to value these benefit obligations, funded status and expense recognition include the discount rate for future payment obligations, the long term expected rate of return on plan assets, salary growth, healthcare cost trend rates, and other economic and demographic factors. Significant differences in actual experience, or significant changes in future assumptions or obligations imposed by legislation, pension authorities, or the Bankruptcy Court could lead to a potential future need to contribute cash or assets to the Company's plans in excess of currently estimated contributions and benefit payments and could have an adverse effect on the Company's consolidated results of operations, financial position or liquidity.

If we cannot continue to license or enforce the intellectual property rights on which the Company's business depends, or if third parties assert that we violate their intellectual property rights, the Company's revenue, earnings, expenses and liquidity may be adversely impacted.

We rely upon patent, copyright, trademark and trade secret laws in the United States and similar laws in other countries, and non-disclosure, confidentiality and other types of agreements with the Company's employees, customers, suppliers and other parties, to establish, maintain and enforce the Company's intellectual property rights. Despite these measures, any of the Company's direct or indirect intellectual property rights could, however, be challenged, invalidated, circumvented, infringed or misappropriated, or such intellectual property rights may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly product redesign efforts, discontinuance of certain product offerings or other competitive harm. Further, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States. Therefore, in certain jurisdictions, we may be unable to protect the Company's proprietary technology adequately against unauthorized third party copying, infringement or use, which could adversely affect the Company's competitive position. Also, because of the rapid pace of technological change in the information technology industry, much of the Company's business and many of the Company's products rely on key technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms.

The execution and enforcement of licensing agreements protects the Company's intellectual property rights and provides a revenue stream in the form of up-front payments and royalties that enables us to further innovate and provide the marketplace with new products and services. The Company’s ability to execute the Company’s intellectual property licensing strategies, including litigation strategies, such as the Company’s legal actions against Apple Inc. and Research in Motion Limited, could affect the Company’s revenue, earnings and liquidity. Additionally, the uncertainty around the timing, outcome and magnitude of the Company’s intellectual property-related litigation (including the Company’s legal action against Apple Inc. and Research in Motion Limited before the International Trade Commission), judgments and settlements could have an adverse effect on the Company’s revenues, earnings, and liquidity. A potential sale of the Company’s digital imaging patent portfolios could also result in a reduction or the cessation of license revenue related to these patents. The Company’s failure to develop and properly manage new intellectual property could adversely affect the Company’s market positions and business opportunities.

We have made substantial investments in new, proprietary technologies and have filed patent applications and obtained patents to protect the Company’s intellectual property rights in these technologies as well as the interests of the Company’s licensees. There can be no assurance that the Company’s patent applications will be approved, that any patents issued will adequately protect the Company’s intellectual property or that such patents will not be challenged by third parties.

In addition, third parties may claim that the Company's customers, licensees or other parties indemnified by us are infringing upon their intellectual property rights. Such claims may be made by competitors seeking to block or limit the Company's access to digital markets. Additionally, in recent years, individuals and groups have begun purchasing intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from large companies like ours. Even if we believe that the claims are without merit, the claims can be time consuming and costly to defend and distract management's attention and resources. Claims of intellectual property infringement also might require us to redesign affected products, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of the Company's products. Even if we have an agreement to indemnify us against such costs, the indemnifying party may be unable to uphold its contractual obligations. If we cannot or do not license the infringed technology at all, license the technology on reasonable terms or substitute similar technology from another source the Company's revenue and earnings could be adversely impacted. Finally, we use open source software in connection with the Company's products and services. Companies that incorporate open source software into their products have, from time to time, faced claims challenging the ownership of open source software and/or compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose the Company's source code or pay damages for breach of contract could be harmful to the Company's business results of operations and financial condition.

The competitive pressures we face could harm the Company's revenue, gross margins and market share.
The markets in which we do business are highly competitive with large, entrenched, and well financed industry participants. In certain markets where Kodak is a relatively new entrant, we have not achieved the scale of distribution of the Company's competitors. In addition, we encounter aggressive price competition for all the Company's products and services from numerous companies globally. Over the past several years, price competition in the market for digital products, film products and services has been particularly intense as competitors have aggressively cut prices and lowered their profit margins for these products. The Company's results of operations and financial condition may be adversely affected by these and other Industry-wide pricing pressures. If the Company's products, services and pricing are not sufficiently competitive with current and future competitors, we could also lose market share, adversely affecting the Company's revenue and gross margins.

If the Company's commercialization and manufacturing processes fail to prevent product reliability and quality issues, the Company's product launch plans may be delayed, the Company's financial results may be adversely impacted, and the Company's reputation may be harmed.
In developing, commercializing and manufacturing the Company's products and services, we must adequately address reliability and other quality issues, including defects in the Company's engineering, design and manufacturing processes, as well as defects in third-party components included in the Company's products. Because the Company's products are becoming increasingly sophisticated and complicated to develop and commercialize with rapid advances in technologies, the occurrence of defects may increase, particularly with the introduction of new product lines. Unanticipated issues with product performance may delay product launch plans which could result in additional expenses, lost revenue and earnings. Although we have established internal procedures to minimize risks that may arise from product quality issues, there can be no assurance that we will be able to eliminate or mitigate occurrences of these issues and associated liabilities. Product reliability and quality issues can impair the Company's relationships with new or existing customers and adversely affect the Company's brand image, and the Company's reputation as a producer of high quality products could suffer, which could adversely affect the Company's business as well as the Company's financial results. Product quality issues can also result in recalls, warranty, or other service obligations and litigation.

If we cannot effectively anticipate technology trends and develop and market new products to respond to changing customer preferences, the Company’s revenue, earnings and cash flow, could be adversely affected.
We must develop and introduce new products and services in a timely manner to keep pace with technological developments and achieve customer acceptance. If we are unable to anticipate new technology trends, for example in consumer electronics, print advertising, and commercial and consumer printing, and develop improvements to the Company’s current technology to address changing customer preferences, this could adversely affect the Company’s revenue, earnings and cash flow. Due to changes in technology and customer preferences, the market for traditional film and paper products and services is in decline. The Company’s success depends in part on the Company’s ability to manage the decline of the market for these traditional products by continuing to reduce the Company’s cost structure to maintain profitability.

Even if a chapter 11 plan of reorganization is consummated, continued weakness or worsening of economic conditions could continue to adversely affect the Company’s financial performance and the Company’s liquidity.
The global economic recession and declines in consumption in the Company’s end markets have adversely affected sales of both commercial and consumer products and profitability for such products and was a factor leading to the Company filing for voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code. Further, global financial markets have been experiencing volatility. Consumer discretionary spending may not return to pre-recession levels in certain geographies. Continued slower sales of consumer digital products due to the uncertain economic environment could lead to reduced sales and earnings while inventory increases. Economic conditions could also accelerate the continuing decline in demand for traditional products, which could also place pressure on the Company’s results of operations and liquidity. While the Company is seeking to increase sales in markets that have already experienced an economic recovery such as Asia, there is no guarantee that anticipated economic growth levels in those markets will continue in the future, or that the Company will succeed in expanding sales in these markets. In addition, accounts receivable and past due accounts could increase due to a decline in the Company’s customers’ ability to pay as a result of the economic downturn, and the Company’s liquidity, including the Company’s ability to use credit lines, could be negatively impacted by failures of financial instrument counterparties, including banks and other financial institutions. If the global economic weakness and tightness in the credit markets continue for a greater period of time than anticipated or worsen, the Company’s profitability and related cash generation capability could be adversely affected and, therefore, affect the Company’s ability to meet the Company’s anticipated cash needs, impair the Company’s liquidity or increase the Company’s costs of borrowing.

If we cannot attract, retain and motivate key employees, the Company’s revenue and earnings could be harmed.
In order for us to be successful, we must continue to attract, retain and motivate executives and other key employees, including technical, managerial, marketing, sales, research and support positions. Hiring and retaining qualified executives, research and engineering professionals, and qualified sales representatives, particularly in the Company’s targeted growth markets, is critical to the Company’s future. If we cannot attract qualified individuals, retain key executives and employees or motivate the Company’s employees, the Company’s business could be harmed. The Company’s filing for chapter 11 may create additional distractions and uncertainty for employees, and impact the Company’s ability to retain key employees and effectively recruit new employees. The Company’s ability to take measures to motivate and retain key employees may be restricted while operating under chapter 11. We may experience increased levels of employee attrition.

Due to the nature of the products we sell and the Company’s worldwide distribution, we are subject to changes in currency exchange rates, interest rates and commodity costs that may adversely impact the Company’s results of operations and financial position.
As a result of the Company’s global operating and financing activities, we are exposed to changes in currency exchange rates and interest rates, which may adversely affect the Company’s results of operations and financial position. Exchange rates and interest rates in markets in which we do business tend to be volatile and at times, the Company’s sales can be negatively impacted across all of the Company’s segments depending upon the value of the

U.S. dollar, the Euro and other major currencies. In addition, the Company's products contain silver, aluminum, petroleum based or other commodity-based raw materials, the prices of which have been and may continue to be volatile. If the global economic situation remains uncertain or worsens, there could be further volatility in changes in currency exchange rates, interest rates and commodity prices, which could have negative effects on the Company's revenue and earnings.

If we are unable to provide competitive financing arrangements to the Company's customers or if we extend credit to customers whose creditworthiness deteriorates, this could adversely impact the Company's revenues, profitability and financial position.
The competitive environment in which we operate may require us to provide financing to the Company's customers in order to win a contract. Customer financing arrangements may include all or a portion of the purchase price for the Company's products and services. We may also assist customers in obtaining financing from banks and other sources and may provide financial guarantees on behalf of the Company's customers. The Company's success may be dependent, in part, upon the Company's ability to provide customer financing on competitive terms and on the Company's customers' creditworthiness. The tightening of credit in the global financial markets has adversely affected the ability of the Company's customers to obtain financing for significant purchases, which resulted in a decrease in, or cancellation of, orders for the Company's products and services, and we can provide no assurance that this trend will not continue. If we are unable

to provide competitive financing arrangements to the Company's customers or if we extend credit to customers whose creditworthiness deteriorates, this could adversely impact the Company's revenues, profitability and financial position.

We have outsourced a significant portion of the Company's overall worldwide manufacturing, logistics and back office operations and face the risks associated with reliance on third party suppliers.
We have outsourced a significant portion of the Company's overall worldwide manufacturing, logistics, customer support and administrative operations to third parties. To the extent that we rely on third party service providers, we face the risk that those third parties may not be able to:

- develop manufacturing methods appropriate for the Company's products;
- maintain an adequate control environment;
- quickly respond to changes in customer demand for the Company's products;
- obtain supplies and materials necessary for the manufacturing process; or
- mitigate the impact of labor shortages and/or disruptions.

Further, even if the Company honors its payment and other obligations to the Company's key suppliers of products, components and services, such suppliers may choose to unilaterally withhold products, components or services, or demand changes in payment terms. As a result of such risks, we may be unable to meet the Company's customer commitments, the Company's costs could be higher than planned, and the Company's cash flows and the reliability of the Company's products could be negatively impacted. The Company will vigorously enforce its contractual rights under such circumstances, but there is no guarantee we will be successful in preventing or mitigating the effects of unilateral actions by the Company's suppliers. Other supplier problems that we could face include electronic component shortages, excess supply, risks related to favorable terms, the duration of the Company's contracts with suppliers for components and materials and risks related to dependency on single source suppliers on favorable terms or at all. If any of these risks were to be realized, and assuming alternative third party relationships could not be established, we could experience interruptions in supply or increases in costs that might result in the Company's inability to meet customer demand for the Company's products, damage to the Company's relationships with the Company's customers, and reduced market share, all of which could adversely affect the Company's results of operations and financial condition.

The Company's sales are typically concentrated in the last four months of the fiscal year, therefore, lower than expected demand or increases in costs during that period may have a pronounced negative effect on the Company's results of operations.
The demand for the Company's consumer products is largely discretionary in nature, and sales and earnings of the Company's consumer businesses are linked to the timing of holidays, vacations, and other leisure or gifting seasons. Accordingly, we have typically experienced greater net sales in the fourth fiscal quarter as compared with the other three quarters. Developments, such as lower-than-anticipated demand for the Company's products, an internal systems failure, increases in materials costs, or failure of or performance problems with one of the Company's key logistics, components supply, or manufacturing partners, could have a material adverse impact on the Company's financial condition and operating results, particularly if such developments occur late in the third quarter or during the fourth fiscal quarter. Further, with respect to the Graphic Communications Group segment, equipment and consumable sales in the commercial marketplace peak in the fourth quarter based on increased commercial print demand. Tight credit markets that limit capital investments or a weak economy that decreases print demand could negatively impact equipment or consumable sales. In addition, the Company's inability to achieve intellectual property licensing revenues in the timeframe and amount we anticipate could adversely affect the Company's revenues, earnings and cash flow. These external developments are often unpredictable and may have an adverse impact on the Company's business and results of operations.

If we fail to manage distribution of the Company's products and services properly, the Company's revenue, gross margins and earnings could be adversely impacted.

We use a variety of different distribution methods to sell and deliver the Company's products and services, including third party resellers and distributors and direct and indirect sales to both enterprise accounts and customers. Successfully managing the interaction of direct and indirect channels to various potential customer segments for the Company's products and services is a complex process. Moreover, since each distribution method has distinct risks and costs, the Company's failure to implement the most advantageous balance in the delivery model for the Company's products and services could adversely affect the Company's revenue, gross margins and earnings. Due to changes in the Company's go to market models, we are more reliant on fewer distributors than in past periods. This has concentrated the Company's credit and operational risk and could result in an adverse impact on the Company's financial performance.

We may be required to recognize additional impairments in the value of the Company's goodwill and/or other long-lived assets, which would increase expenses and reduce profitability.

Goodwill represents the excess of the amount we paid to acquire businesses over the fair value of their net assets at the date of the acquisition. We test goodwill for impairment annually or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Additionally, the Company's other long-lived assets are evaluated for impairments whenever events or changes in circumstances indicate the carrying value may not be recoverable. Either of these situations may occur for various reasons including changes in actual or expected income or cash. We continue to evaluate current conditions to assess whether any impairment exists. Impairments could occur in the future if market or interest rate environments deteriorate, expected future cash flows of the Company's reporting units decline, silver prices increase significantly, or if reporting unit carrying values change materially compared with changes in respective fair values. In the event of a sale of the Company's digital imaging patent portfolios, licensing revenue related to those portfolios could decline significantly and materially impact the fair value of the CDG segment.

The Company's future results could be harmed if we are unsuccessful in the Company's efforts to expand sales in emerging markets.

Because we are seeking to expand the Company's sales and number of customer relationships outside the United States, and specifically in emerging markets in Asia, Latin America and Eastern Europe, the Company's business is subject to risks associated with doing business internationally, such as:

- supporting multiple languages;
- recruiting sales and technical support personnel with the skills to design, manufacture, sell and supply products;
- complying with governmental regulation of imports and exports, including obtaining required import or export approval for the Company's products;
- complexity of managing international operations;
- exposure to foreign currency exchange rate fluctuations;
- commercial laws and business practices that may favor local competition;
- multiple, potentially conflicting, and changing governmental laws, regulations and practices, including differing export, import, tax, anti-corruption, labor, and employment laws;
- difficulties in collecting accounts receivable;
- limitations or restrictions on the repatriation of cash;
- reduced or limited protection of intellectual property rights;
- managing research and development teams in geographically disparate locations, including Canada, Israel, Japan, China, and Singapore;
- complicated logistics and distribution arrangements; and
- political or economic instability.

There can be no assurance that we will be able to market and sell the Company's products in all of the Company's targeted markets. If the Company's efforts are not successful, the Company's business growth and results of operations could be harmed.

We are subject to environmental laws and regulations and failure to comply with such laws and regulations or liabilities imposed as a result of such laws and regulations could have an adverse effect on the Company's business, results of operations and financial condition.

We are subject to environmental laws and regulations in the jurisdictions in which we conduct the Company's business, including laws regarding the discharge of pollutants, including greenhouse gases, into the air and water, the need for environmental permits for certain operations, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, the content of the Company's products and the recycling and treatment and disposal of the Company's products. If we do not comply with applicable laws and regulations in connection with the use and management of hazardous substances, then we could be subject to liability and/or could be prohibited from operating certain facilities, which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's inability to effectively complete, integrate and manage acquisitions, divestitures and other significant transactions could adversely impact the Company's business performance including the Company's financial results. As part of the Company's business strategy, we frequently engage in discussions with third parties regarding possible investments, acquisitions, strategic alliances, joint ventures, divestitures, asset sales, and outsourcing transactions and enter into agreements relating to such transactions in order to further the Company's business objectives. In order to pursue this strategy successfully, we must identify suitable candidates and successfully complete transactions, some of which may be large and complex, and manage post closing issues such as the integration of acquired companies or employees and the assessment of such acquired companies' internal controls. Integration and other risks of transactions can be more pronounced for larger and more complicated transactions, or if multiple transactions are pursued simultaneously. If we fail to identify and complete successfully transactions that further the Company's strategic objectives, we may be required to expend resources to develop products and technology internally, we may be at a competitive disadvantage or we may be adversely affected by negative market perceptions, any of which may have an adverse effect on the Company’s revenue, gross margins and profitability. In addition, unpredictability surrounding the timing of such transactions could adversely affect the Company’s financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's worldwide headquarters is located in Rochester, New York.

Operations of the CDG segment are located in Rochester, New York; Atlanta, Georgia; Emeryville, California; San Diego, California; China; and Singapore. Many of CDG’s businesses rely on manufacturing assets, company-owned or through relationships with design and manufacturing partners, which are located close to end markets and/or supplier networks.

Products in the GCG segment are manufactured in the United States, primarily in Rochester, New York; Dayton, Ohio; Columbus, Georgia; and Weatherford, Oklahoma. Key manufacturing facilities outside the United States, either company-owned or through relationships with manufacturing partners, are located in the United Kingdom, Germany, Bulgaria, Mexico, China, and Japan.

The FPEG segment of Kodak’s business is centered in Rochester, New York, where film and photographic chemicals and related materials are manufactured. A manufacturing facility in the United Kingdom produces photographic paper. Additional manufacturing facilities supporting the business are located in Windsor, Colorado; China; Mexico; India; Brazil; and Russia. Entertainment Imaging has business operations in Hollywood, California and Rochester, New York.

Properties within a country may be shared by all segments operating within that country.

Regional distribution centers are located in various places within and outside of the United States. The Company owns or leases administrative, research and development, manufacturing, marketing, and processing facilities in various parts of the world. The leases are for various periods and are generally renewable.

ITEM 3. LEGAL PROCEEDINGS

On January 19, 2012, Eastman Kodak Company (the "Company") and its U.S. subsidiaries (the "Filing Subsidiaries," and together with the Company, the "Debtors") filed voluntary petitions for relief (the "Bankruptcy Filing") under chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") case number 12-10202. The Company's foreign subsidiaries (collectively, the "Non-Filing Entities") were not part of the Bankruptcy Filing. The Debtors will continue to operate their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. The Non-Filing Entities will continue to operate in the ordinary course of business. On January 20, 2012, the Company and Kodak Canada Inc. (the "Canadian Borrower" and, together with the Company, the "Borrowers") entered into a Debtor-in-Possession Credit Agreement (the "DIP Credit Agreement"). As a result of the Bankruptcy, much of the pending litigation against the Debtors is stayed. Subject to certain exceptions and approval by the Bankruptcy Court, no party can take further actions to recover pre-petition claims against the Company. Refer to Note 1, “Chapter 11

Filing," in the Notes to the Consolidated Financial Statements for additional information.

Subsequent to the Company's chapter 11 filing, a number of suits were filed in federal court in the Western District of New York, as putative class action suits, against the current and certain former members of the Board of Directors, the Company's Savings and Investment Plan (SIP) Committee and certain former and current executives of the Company. None of these actions are reasonably possible to result in a material loss to the Company. The suits are filed under the Employee Retirement Income Security Act (ERISA). The allegations concern the decline in the Company's stock price and its alleged resulting impact on SIP and on the Company's Employee Stock Ownership Plan. Also following the chapter 11 filing, a suit was filed in federal court in the Southern District of New York against the Chief Executive Officer, the President and Chief Operating Officer and the Chief Financial Officer, as a putative class action suit under the federal securities laws, claiming that certain of the Company statements in early 2011 were too optimistic. Suits of this nature are not uncommon for companies in chapter 11. On behalf of all defendants in these cases, the Company believes that the suits are without merit and will vigorously defend them. Although the nature of litigation is inherently unpredictable, the Company reasonably expects none of these cases, individually or in the aggregate, to have a material impact upon the Company.

The Company has been named by the U.S. Environmental Protection Agency ("EPA") as a Potentially Responsible Party ("PRP") with potential liability for the study and remediation of the Lower Passaic River Study Area ("LPRSA") portion of the Diamond Alkali Superfund Site, based on releases from the former Hilton Davis site in Newark and Lehn & Fink operations in Bloomfield, New Jersey. Based on currently available information, the Company is unable to reasonably estimate a range of loss pertaining to this matter at this time.

The Company has been named as third-party defendant (along with approximately 300 other entities) in an action initially brought by the New Jersey Department of Environmental Protection ("NJDEP") in the Supreme Court of New Jersey, Essex County against Occidental Chemical Corporation and several other companies that are successors in interest to Diamond Shamrock Corporation. The NJDEP seeks recovery of all costs associated with the investigation, removal, cleanup and damage to natural resources occasioned by Diamond Shamrock's disposal of various forms of chemicals in the Passaic River. The damages are alleged to potentially range "from hundreds of millions to several billions of dollars." Pursuant to New Jersey's Court Rules, the defendants were required to identify all other parties which could be subject to permissive joinder in the litigation based on common questions of law or fact. Third-party complaints seeking contribution from more than 300 entities, which have been identified as potentially contributing to the contamination in the Passaic, were filed on February 5, 2009. Refer to Note 11, "Commitments and Contingencies," in the Notes to Financial Statements for additional information.

On November 20, 2008, Research in Motion Ltd. and Research in Motion Corp. (collectively "RIM") filed a declaratory judgment action against the Company in Federal District Court in the Northern District of Texas. The suit, Research in Motion Limited and Research in Motion Corporation v. Eastman Kodak Company, seeks to invalidate certain Company patents related to digital camera technology and software object linking, and seeks a determination that RIM handheld devices do not infringe such patents. On February 17, 2009, the Company filed its answer and counterclaims for infringement of each of these same patents. A pretrial hearing known as a Markman hearing was held on March 23, 2010. The Court has not yet issued its Markman decision. The Court has rescheduled to March 2012 a trial on merits which was originally scheduled for December 2010. On January 19, 2012 the Judge issued an order to stay the case. On February 10, 2012, RIM filed a motion to lift the stay. Kodak and the Unsecured Creditors Committee did not oppose this motion.

On January 14, 2010 the Company filed a complaint with the International Trade Commission ("ITC") against Apple Inc. and RIM for infringement of a patent related to digital camera technology. In the Matter of Certain Mobile Telephones and Wireless Communication Devices Featuring Digital Cameras and Components Thereof, the Company is seeking a limited exclusion order preventing importation of infringing devices including iPhones and camera-enabled Blackberry devices. On February 16, 2010, the ITC ordered that an investigation be instituted to determine whether importation or sale of the accused Apple and RIM devices constitutes violation of the Tariff Act of 1930. A Markman hearing was held in May 2010. A hearing on the merits occurred in September 2010. In December 2010, as a result of re-examination proceedings initiated by RIM and other parties, the U.S. Patent and Trademark Office affirmed the validity of the same patent claim at issue in the ITC investigation. On January 24, 2011, the Company received notice that the ITC Administrative Law Judge ("ALJ") had issued an initial determination recommending that the Commission find the patent claim at issue invalid and not infringed. The Company petitioned the Commission to review the initial determination of the ALJ. On March 25, 2011, the ITC issued a notice of its decision to review the ALJ's initial determination in its entirety. On June 30, 2011, the Commission issued a decision affirming in part, reversing in part and remanding the case to the ALJ for further proceedings. On October 24, 2011 the investigation was permanently reassigned to a newly appointed ALJ, following the retirement of the ALJ to whom the case was previously assigned. On December 15, 2011, the ALJ issued an order setting new dates for the initial determination and target date as May 21, 2012 and September 21, 2012, respectively. On December 27, 2011, the ALJ issued an order setting forth the remand schedule and the scope of discovery on remand.

On January 14, 2010 the Company filed two suits against Apple Inc. in the Federal District Court in the Western District of New York (Eastman Kodak Company v. Apple Inc.) claiming infringement of patents related to digital cameras and certain computer processes. The Company is seeking unspecified damages and other relief. The case related to digital cameras has been stayed pending the ITC action referenced above. On April 15, 2010, Apple Inc. filed a counterclaim against Kodak in the case related to certain computer processes, claiming infringement of patents related to digital cameras and all-in-one printers.

On April 15, 2010, Apple Inc. filed a complaint in the ITC against Kodak asserting infringement of patents related to digital cameras. In the Matter of Certain Digital Imaging Devices and Related Software, Apple is seeking a limited exclusion order preventing importation of infringing devices. A hearing on the merits before an ALJ was concluded on February 2, 2011. The ALJ issued an initial determination on May 18, 2011, finding that Kodak did not infringe Apple's patents and finding one Apple patent invalid. Apple petitioned to the ITC for a review of the ALJ's initial determination. On July 18, 2011, the ITC determined not to review the ALJ's determination. On September 16, 2011, Apple appealed this decision to the Court of Appeals for the Federal Circuit.

On April 15, 2010 Apple also filed in Federal District Court in the Northern District of California (Apple Inc. v. Eastman Kodak Company) a complaint asserting infringement of the same patents asserted in the ITC. This case has been stayed pending the ITC action appealed to the Federal Circuit referenced above.

On August 26, 2010, Apple filed a claim in California State Court (Santa Clara) claiming ownership of the Kodak patent asserted by Kodak against Apple in the ITC action referenced above. This action was removed to Federal District Court in the Northern District of California and subsequently dismissed. Apple has amended its answer in the stayed Western District of New York case pertaining to digital cameras referenced above, to incorporate its ownership claim.

On January 10, 2012 the Company filed a complaint with the ITC against Apple Inc. and HTC Corp., HTC America, Inc. and Exedea, Inc. (collectively "HTC") for infringement of patents related to digital imaging technology. In the Matter of Certain Electronic Devices For Capturing and Transmitting Images, and Components Thereof, the Company is seeking a limited exclusion order preventing importation of infringing devices, including certain of Apple's iPhones, iPads and iPods and certain of HTC's smartphones and tablets. The ITC has not yet instituted the investigation.

On January 10, 2012 the Company filed a lawsuit against Apple Inc. in the Federal District Court in the Western District of New York (Eastman Kodak Company v. Apple Inc.) claiming infringement of patents related to digital imaging technology. The Company is seeking unspecified damages and other relief.

On January 10, 2012 the Company filed a lawsuit against HTC in the Federal District Court in the Western District of New York (Eastman Kodak Company v. HTC Corp., HTC America, Inc. and Exedea, Inc.) claiming infringement of patents related to digital imaging technology. The Company is seeking unspecified damages and other relief.

The Company and its subsidiaries are involved in various lawsuits, claims, investigations and proceedings, including commercial, customs, employment, environmental, and health and safety matters, which are being handled and defended in the ordinary course of business. In addition, the Company is subject to various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that are incorporated in a broad spectrum of the Company's products. These matters are in various stages of investigation and litigation, and are being vigorously defended. Much of the pending litigation against the Debtors has been stayed as a result of the chapter 11 filing and will be subject to resolution in accordance with the Bankruptcy Code and the orders of the Bankruptcy Court. Although the Company does not expect that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations, litigation is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable.

ITEM 4. MINE SAFETY DISCLOSURES

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instructions G (3) of Form 10-K, the following list is included as an unnumbered item in Part I of this report in lieu of being included in the Proxy Statement for the Annual Meeting of Shareholders.

Name	Age	Positions Held	Date First Elected an Executive Officer	Date First Elected to Present Office
Philip J. Faraci	56	President and Chief Operating Officer	2005	2007
Pradeep Jotwani	57	Senior Vice President	2010	2010
Antoinette P. McCorvey	54	Chief Financial Officer and Senior Vice President	2007	2010
Gustavo Oviedo	59	Vice President	2007	2011
Antonio M. Perez	66	Chairman of the Board, Chief Executive Officer	2003	2005
Laura G. Quatela	54	President and Chief Operating Officer	2006	2012
Eric H. Samuels	44	Chief Accounting Officer and Corporate Controller	2009	2009
Patrick M. Sheller	50	Chief Administrative Officer, General Counsel & Secretary, and Senior Vice President	2012	2012
Terry R. Taber	57	Senior Vice President	2008	2010

Executive officers are elected annually in February.

All of the executive officers have been employed by Kodak in various executive and managerial positions for at least five years, except Mr. Jotwani, who joined the Company on September 29, 2010.

The executive officers' biographies follow:

Philip J. Faraci

Philip Faraci was named President and Chief Operating Officer, Eastman Kodak Company, in September 2007. As President and COO, Mr. Faraci's current responsibilities focus on the Commercial Segment and the Company's sales and regional operations.

From September 2007 to December 2011, Mr. Faraci was responsible for the day-to-day management of Kodak’s three major businesses: CDG, GCG, and FPEG. He joined Kodak as Director, Inkjet Systems Program in December 2004. In February 2005, he was elected a Senior Vice President of the Company. In June 2005, he was also named Director, Corporate Strategy & Business Development.

Prior to Kodak, Mr. Faraci served as Chief Operating Officer of Phogenix Imaging and President and General Manager of Gemplus Corporation’s Telecom Business Unit. Prior to these roles, he spent 22 years at Hewlett-Packard, where he served as Vice President and General Manager of the Consumer Business Organization and Senior Vice President and General Manager for the Inkjet Imaging Solutions Group.

Pradeep Jotwani

Pradeep Jotwani joined Kodak in September 2010 as President, Consumer Digital Imaging Group, Chief Marketing Officer, and Senior Vice President.

Mr. Jotwani was named President of the Consumer Segment in January 2012 which expands his responsibilities to include all of Kodak's consumer digital and traditional product lines. He remains Chief Marketing Officer of Eastman Kodak Company.

As President, Consumer Business, Mr. Jotwani is responsible for Retail Systems and Solutions, KODAK Gallery – the Company's online photo service, Consumer Inkjet Printers, Digital Capture and Devices, Paper & Output Systems, Event Imaging Solutions, and Consumer Film.

As Kodak's CMO, Mr. Jotwani is responsible for overall marketing at Kodak, including social media, customer relationship management, brand management, online commerce, and the Company's website, www.kodak.com.

Mr. Jotwani left Hewlett-Packard Company in 2007 as Senior Vice President, Supplies, Imaging and Printing Group. Under his direction, the business was the industry-leading supplier. Prior to that assignment, he was President of HP's Consumer Business Organization, which he formed. This organization represented HP's first formal sales and marketing organization focused specifically on the consumer market. He also served as HP's executive sponsor for Customer Relationship Management (CRM) and founded hpshopping.com, the company's e-commerce store.

After 25 years at HP, and prior to joining Kodak, Mr. Jotwani served as an operating executive at a private equity firm, participated on several public and private corporate boards, was a Leadership Fellow at Stanford University's Graduate School of Business, and lent his time to a series of civic and non-profit organizations. He recently resigned from the board of RealNetworks, Inc., a pioneer of streaming media and the provider of network-delivered digital media products and services worldwide, after serving for over 3 years in various capacities, including Chair of the Compensation Committee and member of the Audit Committee.

Antoinette P. McCorvey

Antoinette (Ann) McCorvey was elected Chief Financial Officer and Senior Vice President, Eastman Kodak Company, effective November 5, 2010.

Ms. McCorvey is responsible for worldwide financial operations, including Corporate Financial Planning and Analysis, Treasury, Audit, Controllership, Tax, Investor Relations, Aviation, Corporate Business Development, Worldwide Information Systems, and Global Purchasing.

Ms. McCorvey joined Kodak in December 1999 as Director, Finance, Imaging Materials Manufacturing. She has held assignments of increasing responsibility including Director, Finance, Global Manufacturing and Logistics; Director, Finance, Corporate Financial Planning and Analysis; and Director, Finance and Vice President, Consumer Digital Imaging Group. In March 2007, she was appointed Director & Vice President of Investor Relations. The Board of Directors elected her a Corporate Vice President in December 2007.

Prior to Kodak, Ms. McCorvey had a 20-year career with Monsanto/Solutia. Her last assignment at Solutia, Inc. (the former Chemical Company of Monsanto) was Vice President/General Manager of Nylon, Plastics, Polymers and Industrial Fibers.

Gustavo Oviedo

Gustavo Oviedo was named Chief Customer Officer and General Manager, Worldwide Regional Operations effective January 1, 2011.

Previously, Mr. Oviedo was General Manager, Worldwide Sales and Customer Operations, Consumer Digital Imaging and Graphic Communications Groups. In this role, he oversaw worldwide sales and customer support for the Company's Consumer Digital Imaging (CDG) and Graphic Communications (GCG) Groups. He was responsible for the United States and Canada, (US&C) European, African and Middle Eastern (EAMER) and Asia Pacific Regions (APR).

From March 2007 to December 2008, Mr. Oviedo was Asia Pacific Region Managing Director, Eastman Kodak Company. He also served as Managing Director, Asia Pacific Region for Kodak's Graphic Communications Group, a position he assumed in 2006 following Kodak's acquisition of Kodak Polychrome Graphics (KPG). In this role, Oviedo was responsible for the entire Kodak business and strategic product portfolio in the region. The Board of Directors elected him a Corporate Vice President in December 2007.

Mr. Oviedo’s international career spans more than 25 years working in the United States, Latin America, Asia and Europe, and includes deep industrial operations management experience. Before joining Kodak (KPG), he spent over 20 years with Schneider Electric, a leader in electromechanical and electronic products, where he held positions of increasing responsibility in regional management and his portfolio included distribution, logistics, sales and marketing, business development, and strategic mergers & acquisitions.

Antonio M. Perez

Since joining the Company in April 2003, Kodak's Chairman and Chief Executive Officer, Antonio M. Perez, has led the worldwide transformation of Kodak from a business based on film to one based primarily on digital technologies. Mr. Perez brings to the task his experience from a 25-year career at Hewlett-Packard Company, where he was a corporate vice president and a member of the company's Executive Council. As President of HP's Consumer Business, Mr. Perez spearheaded the company's efforts to build a business in digital imaging and electronic publishing, generating worldwide revenue of more than $16 billion.

Prior to that assignment, Mr. Perez served as President and CEO of HP's inkjet imaging business for five years. During that time, the installed base of HP's inkjet printers grew from 17 million to 100 million worldwide, with revenue totaling more than $10 billion.

After HP, Mr. Perez was President and CEO of Gemplus International, where he led the effort to take the company public. While at Gemplus, he transformed the company into the leading Smart Card-based solution provider in the fast-growing wireless and financial markets. In the first fiscal year, revenue at Gemplus grew 70 percent, from $700 million to $1.2 billion.

Laura G. Quatela

Laura G. Quatela was elected President and Chief Operating Officer effective January 1, 2012. As President and COO, her current responsibilities focus on the Consumer Segment, including the Intellectual Property business, and certain corporate functions. Ms. Quatela will serve alongside Mr. Faraci, who continues in his role as President of the Company.

In January 2011, she was named General Counsel and elected a Senior Vice President. Ms. Quatela was appointed Chief Intellectual Property Officer in January 2008 and retained this role in tandem with her duties leading the company's Legal organization. As Chief Intellectual Property Officer, she was responsible for IP strategy and policy, the Senior IP Strategy Council, and external IP affairs.

Previously, Ms. Quatela was Managing Director, Intellectual Property Transactions, and was responsible for directing strategic cross-licensing and royalty-bearing licensing activities for the Company, including developing licensing strategy, negotiating and structuring licenses, and managing IP valuations and investments. In August 2006, the Board of Directors elected Ms. Quatela a Vice President of the Company.

She joined Kodak in 1999 and held various positions in the Marketing, Antitrust, Trademark & Litigation staff in the Company's Legal department. She was promoted to Director of Corporate Commercial Affairs, Vice President Legal and Assistant General Counsel in 2004.

From August 2002 to December 2003, Ms. Quatela served as Director, Finance Transformation and Vice President, Finance & Administration. In this position she led a team charged with planning and executing restructuring of Kodak's finance functions.

Prior to joining Kodak, Ms. Quatela worked for Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb Inc. In private law practice, she was a defense litigator specializing in mass tort cases.

Eric H. Samuels

Eric H. Samuels was appointed Corporate Controller and Chief Accounting Officer in July 2009. Mr. Samuels previously served as Kodak's Assistant Corporate Controller and brings to his position over 20 years of leadership experience in corporate finance and public accounting. He joined Kodak in 2004 as Director, Accounting Research and Policy.

Prior to joining Kodak, Mr. Samuels had a 14-year career in public accounting during which he served as a senior manager at KPMG LLP's Department of Professional Practice (National Office) in New York City. Prior to joining KPMG in 1996, he worked in Ernst & Young's New York City office.

Patrick M. Sheller

Patrick M. Sheller is General Counsel, Secretary and Chief Administrative Officer. As General Counsel, he is responsible for the Company's world-wide legal function and for providing legal advice to senior management. As Corporate Secretary, Mr. Sheller is responsible for ensuring that the Board of Directors has the proper advice and resources for discharging its fiduciary duty under law, and ensuring that the Company's corporate records reflect the Board's actions. He is the principal advisor to the Board and senior management on the federal securities laws and regulations. As Chief Administrative Officer (CAO), Mr. Sheller oversees the following corporate functions: Human Resources; Communications & Public Affairs; Worldwide Information Systems; and Health, Safety & Environment.

Mr. Sheller joined Kodak in 1993 as Marketing, Antitrust & Litigation counsel to the Company's former Health Group and has held several roles within Kodak's Legal Department. From 1999 to 2004, he served as Kodak's Chief Antitrust Counsel. From 2000 to 2004, Mr. Sheller was on assignment to Kodak's European, African & Middle Eastern Region (EAMER), where he advised Kodak's EAMER businesses on commercial legal issues. He returned to Kodak's Rochester headquarters in 2004 to assume business development and operating roles in Kodak's Health Care Information Systems business. From 2005 to 2011, Mr. Sheller served as Chief Compliance Officer of the Company reporting to the Audit Committee of the Board of Directors. He was also Assistant Secretary from 2006 to 2009. In January 2012, the Board of Directors elected Mr. Sheller a Senior Vice President of the Company.

Before joining Kodak, Mr. Sheller was in private law practice with the Washington, D.C. firm McKenna & Cuneo (now McKenna, Long & Aldridge) where he specialized in antitrust and health care law. From 1986 to 1989, he worked for the Federal Trade Commission in Washington, D.C., where he served as an Attorney Advisor to the Chairman and as a Staff Attorney in the Commission's Bureau of Competition.

Terry R. Taber

Terry R. Taber joined Kodak in 1980. In January 2009, he was named Chief Technical Officer. The Board of Directors elected him a Corporate Vice President in December 2008, and then a Senior Vice President in December 2010.

Mr. Taber was previously the Chief Operating Officer of Kodak's Image Sensor Solutions (ISS) business, a leading developer of advanced CCD and CMOS sensors serving imaging and industrial markets. Prior to joining ISS in 2007, Mr. Taber held a series of senior positions in Kodak's research and development and product organizations. During his 30 years at Kodak, Mr. Taber has been involved in new materials research, product development and commercialization, manufacturing, and executive positions in R&D and business management.

Mr. Taber's early responsibilities included research on new synthetic materials, an area in which he holds several patents. He then became a program manager for several film products before completing the Sloan Fellows program at the Massachusetts Institute of Technology. He returned from MIT to become the worldwide consumer film business product manager from 1999 to 2002, and then became an Associate Director of R&D from 2002 to 2005, followed by a position as the director of Materials & Media R&D from 2005 to 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Until January 19, 2012, the Company's common stock traded on the New York Stock Exchange (NYSE) under the symbol "EK". Effective January 19, 2012, the NYSE suspended trading of the Company's common stock following the announcement that the Company had commenced the chapter 11 filing. Effective February 14, 2012, the Company's common stock was delisted from the NYSE.

Eastman Kodak Company common stock is currently traded on the Over the Counter market under the symbol "EKDKQ.PK." There were 49,520 shareholders of record of common stock as of January 31, 2012.

MARKET PRICE DATA

The market price data below reflects the trading of the stock on the NYSE prior to December 31, 2011 and are not indicative of trading prices since the stock was delisted. On February 28, 2012, the highest reported bid quotation for the stock was $.36 per share.

	2011		2010	
Price per share:	High	Low	High	Low
1st Quarter	$5.85	$2.90	$6.94	$4.12
2nd Quarter	$3.81	$2.75	$9.08	$4.33
3rd Quarter	$3.44	$0.54	$5.11	$3.49
4th Quarter	$1.63	$0.62	$5.95	$3.84

DIVIDEND INFORMATION

On April 30, 2009, the Company announced that its Board of Directors decided to suspend future cash dividends on its common stock effective immediately. Consequently, there were no dividends paid during 2009, 2010, or 2011.

Dividends may be restricted under the Company's debt agreements. Refer to Note 9, "Short-Term Borrowings and Long-Term Debt," in the Notes to Financial Statements.

PERFORMANCE GRAPH - SHAREHOLDER RETURN

The following graph compares the performance of the Company's common stock with the performance of the Standard & Poor's (S&P) Information Technology Index, the Standard & Poor's Midcap 400 Composite Stock Price Index, and the Standard & Poor's Consumer Discretionary Index by measuring the changes in common stock prices from December 31, 2006, plus reinvested dividends.

	12/06	12/07	12/08	12/09	12/10	12/11
Eastman Kodak Company	100.00	86.35	27.05	17.35	22.03	2.67
S&P Midcap 400	100.00	107.98	68.86	94.60	119.80	117.72
S&P Information Technology	100.00	116.31	66.13	106.95	117.85	120.69
S&P Consumer Discretionary	100.00	86.79	57.72	81.56	104.12	110.50

The Company has elected to include the S&P Information Technology index in the comparison, because it believes this index is more reflective of the industries in which the Company operates, and therefore provides a better comparison of returns than the S&P Midcap 400 Composite Stock Price Index or the S&P Consumer Discretionary index.

ITEM 6. SELECTED FINANCIAL DATA

Refer to Summary of Operating Data on page 117.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Kodak for the three years ended December 31, 2011, 2010 and 2009. All references to Notes relate to Notes to the Financial Statements in Item 8. "Financial Statements and Supplementary Data."

OVERVIEW

In 2011, Kodak had three reportable business segments, which are more fully described later in this discussion in "Kodak Operating Model and Reporting Structure." The three business segments in 2011 were: Consumer Digital Imaging Group, Graphic Communications Group and Film, Photofinishing and Entertainment Group.

The Company's digital growth strategy has centered on exploiting its competitive advantage at the intersection of materials science and digital imaging science. The Company has leading market positions in large markets including digital printing plates, scanners, and kiosks. In addition, the Company has been introducing differentiated value propositions in new growth markets that are in transformation. These digital growth initiatives are: consumer inkjet, within CDG, and commercial inkjet, workflow software and services, and packaging solutions within GCG.

While the digital growth initiatives have largely required investment, the Company's strategy has been to gain scale in these product lines to enable a more significant and profitable contribution from them. Revenue from these growth initiative product lines grew 17% for the year ended December 31, 2011 versus the prior year.

The Company has been using cash received from operations, including intellectual property licensing, and the sale of non-core assets, to fund its investment in the digital growth initiatives and its transformation from a traditional manufacturing company to a digital technology company. In July 2011, the Company announced that it is exploring strategic alternatives related to its digital imaging patent portfolios. As this process proceeds, the Company will continue to pursue its patent licensing program as well as all litigation related to its digital imaging patents. The Company faces short-term uncertainty relating to certain of the Company's intellectual property licensing activities pending the outcome of the infringement litigation against Apple Inc. and Research in Motion Ltd. before the International Trade Commission.

Revenue and profitability for the year ended December 31, 2011 declined from the prior year primarily due to a decrease in non-recurring intellectual property licensing arrangements from the prior year. Revenue and profitability were also negatively impacted by industry-related volume declines and increased commodity costs, particularly silver, in FPEG. The Company has been utilizing price increases and silver-indexed pricing models, as well as its silver hedging program to mitigate the impact of historically high silver prices on FPEG. Revenue declines also resulted from competitive pricing pressures and participation choices made by the Company in digital cameras within CDG. In February 2012 the Company announced plans to phase out its dedicated capture devices business, including digital cameras, pocket video cameras, and digital picture frames in the first half of 2012.

While some of the revenue decline was offset by revenue growth in consumer inkjet and GCG, profitability was also negatively impacted by the ongoing investment in the consumer and commercial inkjet businesses.

The Company's Bankruptcy Filing is intended to permit the Company to reorganize and improve liquidity in the U.S. and abroad, monetize non-strategic intellectual property, fairly resolve legacy liabilities, and focus on the most valuable business lines to enable sustainable profitability. The Company's goal is to develop and implement a reorganization plan that meets the standards for confirmation under the Bankruptcy Code. Confirmation of a reorganization plan could materially alter the classifications and amounts reported in the Company's consolidated financial statements, which do not give effect to any adjustments to the carrying values of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a reorganization plan or other arrangement or the effect of any operational changes that may be implemented.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accompanying consolidated financial statements and notes to consolidated financial statements contain information that is pertinent to management's discussion and analysis of the financial condition and results of operations. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities.

The Company believes that the critical accounting policies and estimates discussed below involve the most complex management judgments due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts. Specific risks associated with these critical accounting policies are discussed throughout this MD&A, where such policies affect our reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, refer to the Notes to Financial Statements in Item 8.

The consolidated financial statements and related notes have been prepared assuming that the Company will continue as a going concern, although its Bankruptcy Filing raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded assets or to the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

Revenue Recognition

The Company's revenue transactions include sales of the following: products, equipment, software, services, integrated solutions, and intellectual property licensing. The Company recognizes revenue when it is realized or realizable and earned. The timing and the amount of revenue recognized from the licensing of intellectual property depend upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. For the sale of multiple-element arrangements, including whereby equipment or intellectual property is combined in a revenue generating transaction with other elements, the Company allocates to, and recognizes revenue from, the various elements based on their relative selling price. As of January 1, 2011, the Company allocates to, and recognizes revenue from, the various elements of multiple-element arrangements based on relative selling price of a deliverable, using: vendor-specific objective evidence, third-party evidence, and best estimated selling price in accordance with the selling price hierarchy.

At the time revenue is recognized, the Company also records reductions to revenue for customer incentive programs. Such incentive programs include cash and volume discounts, price protection, promotional, cooperative and other advertising allowances. For those incentives that require the estimation of sales volumes or redemption rates, such as for volume rebates, the Company uses historical experience and both internal and customer data to estimate the sales incentive at the time revenue is recognized. In the event that the actual results of these items differ from the estimates, adjustments to the sales incentive accruals would be recorded.

Valuation of Long-Lived Assets, Including Goodwill and Intangible Assets

The Company tests goodwill for impairment annually on September 30, and whenever events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

The Company tests goodwill for impairment at a level of reporting referred to as a reporting unit. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. When two or more components of an operating segment have similar economic characteristics, the components are aggregated and deemed a single reporting unit. An operating segment is deemed to be a reporting unit if all of its components are similar, if none of its components is a reporting unit, or if the segment comprises only a single component.

For goodwill testing purposes, the components of the FPEG operating segment are similar and, therefore, the segment meets the requirement of a reporting unit. Likewise, the components of the CDG are similar and, therefore, the segment meets the definition of a reporting unit. The GCG operating segment has two reporting units: the Business Services and Solutions Group (“BSSG”) reporting unit and the Commercial Printing reporting unit (consisting of the Prepress Solutions and Digital Printing Solutions strategic product groups). The Commercial Printing reporting unit consists of components that have similar economic characteristics and, therefore, have been aggregated into a single reporting unit.

Goodwill is tested by initially comparing the fair value of each of the Company’s reporting units to their related carrying values. If the fair value of the reporting unit is less than its carrying value, the Company must determine the implied fair value of the goodwill associated with that reporting unit. The implied fair value of goodwill is determined by first allocating the fair value of the reporting unit to all of its assets and liabilities and then computing the excess of the reporting unit’s fair value over the amounts assigned to the assets and liabilities. If the carrying value of goodwill exceeds the implied fair value of goodwill, such excess represents the amount of goodwill impairment charge that must be recognized.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. The Company estimates the fair value of its reporting units utilizing an income approach. To estimate fair value utilizing the income approach, the Company establishes an estimate of future cash flows for each reporting unit and discounts those estimated future cash flows to present value. Key assumptions used in the income approach for the September 30, 2011 goodwill impairment tests were: (a) expected cash flows for the period from October 1, 2011 to December 31, 2018; and (b) discount rates of 19% to 25%, which were based on the Company's best estimates of the after-tax weighted-average cost of capital of each reporting unit.

Based upon the results of the Company's September 30, 2011 goodwill impairment tests, the Company concluded that the carrying value of goodwill for its Commercial Printing reporting unit exceeded the implied fair value of goodwill. The Company recorded a pre-tax impairment charge of $8 million during the three month period ended September 30, 2011. For the Company's other reporting units with remaining goodwill balances (CDG and BSSG), no impairment of goodwill was indicated.

A 20 percent change in estimated future cash flows or a 10 percentage point change in discount rate would not have caused additional goodwill impairment charges to be recognized by the Company as of September 30, 2011. Additional impairment of goodwill could occur in the future if market or interest rate environments deteriorate, expected future cash flows decrease or if reporting unit carrying values change materially compared with changes in respective fair values. In the case of a sale of the Company's digital imaging patent portfolios, licensing revenue related to those portfolios, which are included within the CDG reporting unit, could decline significantly and materially impact the fair value of this reporting unit.

The Company's long-lived assets other than goodwill are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

When evaluating long-lived assets for impairment, the Company compares the carrying value of an asset group to its estimated undiscounted future cash flows. An impairment is indicated if the estimated future cash flows are less than the carrying value of the asset group. The impairment is the excess of the carrying value over the fair value of the long-lived asset group.

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of operating losses, credit carryforwards and temporary differences between the carrying amounts and tax basis of the Company's assets and liabilities. The Company records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized. The Company has considered forecasted earnings, future taxable income, the geographical mix of earnings in the jurisdictions in which the Company operates and prudent and feasible tax planning strategies in determining the need for these valuation allowances. As of December 31, 2011, the Company has net deferred tax assets before valuation allowances of approximately $3.1 billion and a valuation allowance related to those net deferred tax assets of approximately $2.6 billion, resulting in net deferred tax assets of approximately $0.5 billion. If the Company were to determine that it would not be able to realize a portion of its net deferred tax assets in the future, for which there is currently no valuation allowance, an adjustment to the net deferred tax assets would be charged to earnings in the period such determination was made. Conversely, if the Company were to make a determination that it is more likely than not that deferred tax assets, for which there is currently a valuation allowance, would be realized, the related valuation allowance would be reduced and a benefit to earnings would be recorded. During 2011, the Company determined that it is more likely than not that a portion of the deferred tax assets outside the U.S. would not be realized and accordingly, recorded a provision of $53 million associated with the establishment of a valuation allowance on those deferred tax assets.

During 2011, the Company concluded that the undistributed earnings of its foreign subsidiaries would no longer be considered permanently reinvested. After assessing the assets of the subsidiaries relative to specific opportunities for reinvestment, as well as the forecasted uses of cash for both its domestic and foreign operations, the Company concluded that it was prudent to change its indefinite reinvestment assertion to allow greater flexibility in its cash management.

The Company operates within multiple taxing jurisdictions worldwide and is subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time for resolution. Management's ongoing assessments of the more-likely-than-not outcomes of these issues and related tax positions require judgment, and although management believes that adequate provisions have been made for such issues, there is the possibility that the ultimate resolution of such issues could have an adverse effect on the earnings of the Company. Conversely, if these issues are resolved favorably in the future, the related provisions would be reduced, thus having a positive impact on earnings.

Pension and Other Postretirement Benefits

The Company's defined benefit pension and other postretirement benefit costs and obligations are estimated using several key assumptions. These assumptions, which are reviewed at least annually by the Company, include the discount rate, long-term expected rate of return on plan assets ("EROA"), salary growth, healthcare cost trend rate and other economic and demographic factors. Actual results that differ from the Company's assumptions are recorded as unrecognized gains and losses and are amortized to earnings over the estimated future service period of the active participants in the plan or, if almost all of a plan's participants are inactive, the average remaining lifetime expectancy of inactive participants, to the extent such total net unrecognized gains and losses exceed 10% of the greater of the plan's projected benefit obligation or the calculated value of plan assets. Significant differences in actual experience or significant changes in future assumptions would affect the Company's pension and other postretirement benefit costs and obligations.

The EROA assumption is based on a combination of formal asset and liability studies that include forward-looking return expectations, given the current asset allocation. The EROA, once set, is applied to the calculated value of plan assets in the determination of the expected return component of the Company's pension income or expense. The Company uses a calculated value of plan assets, which recognizes changes in the fair value of assets over a four-year period, to calculate expected return on assets. At December 31, 2011, the calculated value of the assets of the Company's major U.S. and Non-U.S. defined benefit pension plans was approximately $7.3 billion and the fair value was approximately $7.2 billion. Asset gains and losses that are not yet reflected in the calculated value of plan assets are not included in amortization of unrecognized gains and losses.

The Company reviews its EROA assumption annually. To facilitate this review, every three years, or when market conditions change materially, the Company's larger plans will undertake asset allocation or asset and liability modeling studies. The weighted average EROA for major U.S. and non-U.S. defined benefit pension plans used to determine net pension expense was 8.09% and 7.79%, respectively, for the year ended December 31, 2011.

Generally, the Company bases the discount rate assumption for its significant plans on high quality corporate bond yields in the respective countries as of the measurement date. Specifically, for its U.S. and Canadian plans, the Company determines a discount rate using a cash flow model to incorporate the expected timing of benefit payments and an AA-rated corporate bond yield curve. For the Company's U.S. plans, the Citigroup Above Median Pension Discount Curve is used. For the Company's other non-U.S. plans, the discount rates are determined by comparison to published local high quality bond yields or indices considering estimated plan duration and removing any outlying bonds, as warranted.

The salary growth assumptions are determined based on the Company's long-term actual experience and future and near-term outlook. The healthcare cost trend rate assumptions are based on historical cost and payment data, the near-term outlook and an assessment of the likely long-term trends.

The following table illustrates the sensitivity to a change to certain key assumptions used in the calculation of expense for the year ending December 31, 2012 and the projected benefit obligation ("PBO") at December 31, 2011 for the Company's major U.S. and non-U.S. defined benefit pension plans:

(in millions)	Impact on 2012 Pre-Tax Pension Expense Increase (Decrease)		Impact on PBO December 31, 2011 Increase (Decrease)	
	U.S.	Non-U.S.	U.S.	Non-U.S.

Change in assumption:				
25 basis point decrease in discount rate	$6	$3	$128	$125
25 basis point increase in discount rate	(6)	(3)	(122)	(119)
25 basis point decrease in EROA	11	6	N/A	N/A
25 basis point increase in EROA	(11)	6	N/A	N/A

Total pension cost from continuing operations before special termination benefits, curtailments, and settlements for the major funded and unfunded defined benefit pension plans in the U.S. is expected to change from income of $61 million in 2011 to expense of approximately $45 million in 2012, due primarily to an expected increase in amortization of actuarial losses. Pension expense from continuing operations before special termination benefits, curtailments and settlements for the major funded and unfunded non-U.S. defined benefit pension plans is projected to increase from $43 million in 2011 to approximately $67 million in 2012.

Additionally, the Company expects the expense, before curtailment and settlement gains and losses of its major other postretirement benefit plans, to be approximately $5 million in 2012 as compared with expense of $20 million for 2011. The decrease is due primarily to an expected decrease in interest expense.

Benefit plans in the U.S. are subject to the bankruptcy proceedings.

Environmental Commitments

Environmental liabilities are accrued based on undiscounted estimates of known environmental remediation responsibilities. The liabilities include accruals for sites owned or leased by the Company, sites formerly owned or leased by the Company, and other third party sites where the Company was designated as a potentially responsible party ("PRP"). The amounts accrued for such sites are based on these estimates, which are determined using the ASTM Standard E 2137-06, "Standard Guide for Estimating Monetary Costs and Liabilities for Environmental Matters." The overall method includes the use of a probabilistic model that forecasts a range of cost estimates for the remediation required at individual sites. The Company's estimate includes equipment and operating costs for investigations, remediation and long-term monitoring of the sites. Such estimates may be affected by changing determinations of what constitutes an environmental liability or an acceptable level of remediation. The Company's estimate of its environmental liabilities may also change if the proposals to regulatory agencies for desired methods and outcomes of remediation are viewed as not acceptable, or additional exposures are identified. The Company has an ongoing monitoring process to assess how activities, with respect to the known exposures, are progressing against the accrued cost estimates.

Additionally, in many of the countries in which the Company operates, environmental regulations exist that require the Company to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. The Company records a liability equal to the estimated fair value of its obligation to perform asset retirement activities related to the asbestos, computed using an expected present value technique, when sufficient information exists to calculate the fair value.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 2, "Significant Accounting Policies," in the Notes to Financial Statements in Item 8.

KODAK OPERATING MODEL AND REPORTING STRUCTURE

For 2011, the Company had three reportable segments: CDG, GCG, and FPEG. Within each of the Company's reportable segments are various components, or Strategic Product Groups ("SPGs"). Throughout the remainder of the MD&A, 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. A description of the segments is as follows:

Consumer Digital Imaging Group Segment ("CDG"): This segment provides a full range of digital imaging products and service offerings to consumers. CDG encompasses the following SPGs. Products and services included within each SPG are identified below.

Digital Capture and Devices includes digital still and pocket video cameras, digital picture frames, accessories, branded licensed products, and licensing activities related to the Company's intellectual property in digital imaging products. As announced on February 9, 2012, the Company plans to phase out its dedicated capture devices business, including digital cameras, pocket video cameras, and digital picture frames in the first half of 2012.

Consumer Inkjet Systems includes consumer inkjet printers and related ink and media consumables.

Retail Systems Solutions includes kiosks, APEX drylab systems, and related consumables and services.

Consumer Imaging Services includes Kodak Gallery products and photo sharing services.

Graphic Communications Group Segment (“GCG”): GCG serves a variety of customers in the creative, in-plant, data center, commercial printing, packaging, newspaper and digital service bureau market segments with a range of software, media and hardware products that provide customers with a variety of solutions for prepress equipment, workflow software, analog and digital printing, and document scanning. GCG encompasses the following SPGs. Products and services included within each SPG are identified below.

Prepress Solutions includes digital and traditional prepress equipment, consumables, including plates, chemistry and media, related services, and packaging solutions.

Digital Printing Solutions includes high-speed, high-volume commercial inkjet, and color and black-and-white electrophotographic printing equipment and related consumables and services.

Business Services and Solutions includes workflow software and digital controllers, document scanning products and services and related maintenance offerings. Also included in this SPG are the activities related to the Company's business solutions and consulting services.

Film, Photofinishing and Entertainment Group Segment ("FPEG"): This segment provides consumers, professionals, cinematographers, and other entertainment imaging customers with film-related products and services. FPEG encompasses the following SPGs. Products and services included within each SPG are identified below.

Entertainment Imaging includes entertainment imaging products and services.

Traditional Photofinishing includes paper and output systems and photofinishing services.

Industrial Materials includes aerial and industrial film products, film for the production of printed circuit boards, and specialty chemicals.

Film Capture includes consumer and professional film and one-time-use cameras.

All Other: This category included the results of the Company's display business, up to the date of sale of assets of this business in the fourth quarter of 2009.

Change in Segment Measure of Profit and Loss

During the first quarter of 2011, the Company changed its segment measure of profit and loss to exclude certain components of pension and other postretirement obligations (OPEB). As a result of this change, the operating segment results exclude the interest cost, expected return on plan assets, amortization of actuarial gains and losses, and special termination benefit, curtailment and settlement components of pension and OPEB expense. The service cost and amortization of prior service cost components continue to be reported as part of operating segment results.

Prior period segment results have been revised to reflect this change.

2012 Reportable Segments

For 2012, the Company will report financial information for two reportable segments; Commercial Group and Consumer Group.

The Commercial Group will be comprised of the following: Graphics, Entertainment & Commercial Film Business, Digital and Functional Printing, and Enterprise Services and Solutions.

The Consumer Group will be comprised of the following: Intellectual Property and the Consumer Business: Retail Systems Solutions, Consumer Inkjet Systems, Traditional Photofinishing, and Digital Capture and Devices.

DETAILED RESULTS OF OPERATIONS
Net Sales from Continuing Operations by Reportable Segment and All Other (1)

	For the Year Ended December 31,						
(in millions)	2011	Change	Foreign Currency Impact	2010	Change	Foreign Currency Impact	2009
Consumer Digital Imaging Group							
Inside the U.S.	$864	-51 %	0 %	$1,778	+9 %	0 %	$1,626
Outside the U.S.	875	-8	+2	953	-5	-2	1,000
Total Consumer Digital Imaging Group	1,739	-36	+1	2,731	+4	-1	2,626
Graphic Communications Group							
Inside the U.S.	738	-9	0	811	-2	0	825
Outside the U.S.	1,998	+7	+5	1,863	-2	0	1,893
Total Graphic Communications Group	2,736	+2	+3	2,674	-2	0	2,718
Film, Photofinishing and Entertainment Group							
Inside the U.S.	456	-16	0	542	+6	0	509
Outside the U.S.	1,091	-11	+3	1,220	-30	0	1,753
Total Film, Photofinishing and Entertainment Group	1,547	-12	+2	1,762	-22	0	2,262
All Other							
Inside the U.S.	-			-			3
Outside the U.S.	-			-			-
Total All Other	-			-			3
Consolidated							
Inside the U.S.	2,058	-34	0	3,131	+6	0	2,963
	3,964	-2	+4	4,036	-13	-1	4,646

Outside the U.S.					
Consolidated Total	$6,022	-16 %	+2 %	$7,167	-6 %	0 %	$7,609

(1) Sales are reported based on the geographic area of destination.

(Loss) Earnings from Continuing Operations Before Interest Expense, Other Income (Charges), Net and Income Taxes by Reportable Segment and All Other

	For the Year Ended December 31,				
(in millions)	2011	Change	2010	Change	2009
Consumer Digital Imaging Group	$(349)	-226 %	$278	+2880 %	$(10)
Graphic Communications Group	(191)	-101	(95)	+11	(107)
Film, Photofinishing and Entertainment Group	34	-63	91	-51	187
All Other	-	+100	(1)	+94	(16)
Total	(506)	-285	273	+406	54
Restructuring costs, rationalization and other	(133)		(78)		(258)
Corporate components of pension and OPEB (expense) income	(28)		96		85
Other operating income (expenses), net	67		(619)		88
Adjustments to contingencies and legal reserves/settlements	-		(8)		3
Interest expense	(156)		(149)		(119)
Loss on early extinguishment of debt	-		(102)		-
Other income (charges), net	(2)		26		30
Loss from continuing operations before income taxes	$(758)	-35 %	$(561)	-379 %	$(117)

RESULTS OF OPERATIONS - CONTINUING OPERATIONS

CONSOLIDATED

(dollars in millions)					For the Year Ended December 31,													
	2011		% of Sales		% Change		2010		% of Sales		% Change		2009		% of Sales	
Net sales	$6,022				-16	%	$7,167				-6	%	$7,609			
Cost of sales	5,135				-2	%	5,221				-11	%	5,850			
Gross profit	887		15	%	-54	%	1,946		27	%	11	%	1,759		23	%
Selling, general and administrative expenses	1,159		19	%	-9	%	1,275		18	%	-2	%	1,298		17	%
Research and development costs	274		5	%	-14	%	318		4	%	-9	%	351		5	%
Restructuring costs, rationalization and other	121				73	%	70				-69	%	226			
Other operating (income) expenses, net	(67	)			111	%	619				-803	%	(88	)		
Loss from continuing operations before interest expense, other income (charges), net and income taxes	(600	)	-10	%	-79	%	(336	)	-5	%	-1100	%	(28	)	0	%
Interest expense	156				5	%	149				25	%	119			
Loss on early extinguishment of debt, net	-						102						-			
Other income (charges), net	(2	)			-108	%	26				-13	%	30			
Loss from continuing operations before income taxes	(758	)			-35	%	(561	)			-379	%	(117	)		
Provision for income taxes	9				-92	%	114				-1	%	115			
Loss from continuing operations	(767	)	-13	%	-14	%	(675	)	-9	%	-191	%	(232	)	-3	%
Earnings (loss) from discontinued operations, net of income taxes	3						(12	)					17			
Extraordinary item, net of tax	-						-						6			
NET LOSS	(764	)					(687	)					(209	)		

Less: Net earnings attributable to noncontrolling interests	-				-				(1)
NET LOSS ATTRIBUTABLE TO EASTMAN KODAK COMPANY	$(764)		-11	%	$(687)		-227	%	$(210)

	For the Year Ended December 31,		Change vs. 2010			
	2011 Amount	Change vs. 2010	Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs
Total net sales	$6,022	-16 %	-5 %	-13 %	2 %	n/a
Gross profit margin	15 %	-12pp	n/a	-10pp	1pp	-3pp

	For the Year Ended December 31,		Change vs. 2009			
	2010 Amount	Change vs. 2009	Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs
Total net sales	$7,167	-6 %	-6 %	0 %	0 %	n/a
Gross profit margin	27 %	4pp	n/a	1pp	0pp	3pp

Revenues

For the year ended December 31, 2011, net sales decreased approximately 16% compared with the same period in 2010 due to a decline in the CDG segment primarily driven by lower revenue from non-recurring intellectual property licensing agreements (-11%), as discussed below. Also contributing to the decrease in net sales were industry-related volume declines within the FPEG segment (-4%), and volume declines in the CDG segment (-2%).

For the year ended December 31, 2010, net sales decreased approximately 6% compared with the same period in 2009 primarily due to volume declines in the FPEG segment (-6%). Favorable price/mix in the CDG segment (+2%) was largely offset by unfavorable price/mix in the GCG segment (-2%).

Included in revenues were non-recurring intellectual property licensing agreements. These licensing agreements contributed $82 million, $838 million, and $435 million to revenues in 2011, 2010, and 2009, respectively. In July 2011, the Company announced that it is exploring strategic alternatives, including a potential sale, related to its digital imaging patent portfolios. As this process proceeds, the Company will continue to pursue its patent licensing program as well as all litigation related to its digital imaging patents.

Gross Profit

The decrease in gross profit margin from 2010 to 2011 was driven by unfavorable price/mix within the CDG segment (-10pp), largely due to the decrease in revenue from the non-recurring intellectual property agreements as discussed below. Also contributing to the decline in gross profit margin were higher commodity-related costs, primarily within the FPEG segment related to silver (-3pp). Higher cost of sales in the GCG segment (-2pp), attributable to continuing start-up costs associated with the stabilization of the PROSPER printing systems, also contributed to the decline. Partially offsetting these declines were cost improvements in the CDG segment (+1pp), due to improved quality and component cost reductions.

The increase in gross profit margin from 2009 to 2010 was primarily driven by manufacturing and other cost reductions within the CDG (+2pp) and GCG (+1pp) segments. Also contributing to the increase in gross profit margin was favorable price/mix in the CDG segment (+2pp), partially offset by unfavorable price/mix in the GCG segment (-1pp).

Included in gross profit were non-recurring intellectual property licensing agreements. These licensing agreements contributed $82 million, $838 million, and $435 million to gross profit for non-recurring agreements in 2011, 2010, and 2009, respectively.

Selling, General and Administrative Expenses

The decreases in consolidated selling, general and administrative (SG&A) expenses from 2010 to 2011 were primarily attributable to reduced advertising expense in the CDG and GCG segments.

The decrease in consolidated SG&A expenses from 2009 to 2010 was attributable to decreases in SG&A in the FPEG segment (-7%) primarily driven by cost reduction actions, partially offset by increases in SG&A in the CDG and GCG segments (5%), primarily due to increased advertising costs.

Research and Development Costs

The decreases in consolidated research and development (R&D) costs were primarily due to the rationalization of investments.

Restructuring Costs, Rationalization and Other

These costs, as well as the restructuring and rationalization-related costs reported in cost of sales, 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 amount for 2011 primarily reflects a gain of approximately $62 million related to the sale of CMOS image sensor patents and patent applications. The amount for 2010 primarily reflects a $626 million goodwill impairment charge related to the FPEG segment. The amount for 2009 primarily reflects a gain of approximately $100 million on the sale of assets of the Company's organic light emitting diodes (OLED) group, as described further below.

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 for the year ended December 31, 2009.

Interest Expense

The increases in interest expense for 2011 as compared with 2010 and 2010 as compared with 2009 were attributable to higher weighted-average effective interest rates on the Company's outstanding debt, resulting from the issuance of new debt in the third quarter of 2009, the first quarter of 2010 and the first quarter of 2011.

Loss on Early Extinguishment of Debt, Net

On March 5, 2010, the Company issued $500 million of aggregate principal amount of 9.75% senior secured notes due March 1, 2018. The net proceeds of this issuance were used to repurchase all of the $300 million of 10.5% senior secured notes due 2017 previously issued to Kohlberg, Kravis, Roberts & Co. L.P. (the "KKR Notes") and $200 million of 7.25% senior notes due 2013 (collectively the "Notes"). The Company recognized a net loss of $102 million on the early extinguishment of the Notes in the first quarter of 2010, representing the difference between the carrying values of the Notes and the costs to repurchase. This difference between the carrying values and costs to repurchase was primarily due to the original allocation of the proceeds received from the issuance of the KKR Notes to Additional paid-in-capital for the value of the detachable warrants issued to the holders of the KKR Notes.

OTHER INCOME (CHARGES), NET

See Note 15, "Other Income (Charges), Net", in the Notes to Financial Statements.

Income Tax Provision

(dollars in millions)	For the Year Ended December 31,		
	2011	2010	2009
Loss from continuing operations before income taxes	$(758)	$(561)	$(117)
Provision for income taxes	$9	$114	$115
Effective tax rate	(1.2)%	(20.3)%	(98.3)%

Benefit for income taxes @ 35%	$(265)	$(196)	$(41)
Difference between tax at effective vs statutory rate	$274	$310	$156

The change in the Company's effective tax rate from continuing operations for 2011 as compared with 2010 is primarily attributable to: (1) a pre-tax goodwill impairment charge of $626 million that resulted in a tax benefit of only $2 million due to the limited amount of tax deductible goodwill that existed as of December 31, 2010, (2) a benefit associated with the release of deferred tax asset valuation allowances in certain jurisdictions outside of the U.S. as of December 31, 2010, (3) incremental withholding taxes related to non-recurring licensing agreements entered into during 2010 as compared with 2011, (4) the mix of earnings from operations in certain jurisdictions outside the U.S. as of December 31, 2010, (5) a provision associated with the establishment of a deferred tax asset valuation allowance outside the U.S.

as of December 31, 2011, (6) a provision associated with legislative tax rate changes in a jurisdiction outside the U.S., (7) a provision related to withholding taxes in undistributed earnings as of December 31, 2011, (8) a benefit as a result of the Company reaching a settlement with a taxing authority in a location outside the U.S. as of December 31, 2011, (9) a benefit associated with the IRS settlement for 2001 – 2005 as of December 31, 2011, (10) a benefit associated with the release of deferred tax asset valuation allowances in certain jurisdictions outside of the U.S. as of December 31, 2011, and (11) losses generated within the U.S. and certain jurisdictions outside the U.S. for which no benefit was recognized due to management’s conclusion that it was more likely than not that the tax benefits would not be realized.

The change in the Company’s effective tax rate from continuing operations for 2010 as compared with 2009 is primarily attributable to: (1) a pre-tax goodwill impairment charge of $626 million that resulted in a tax benefit of only $2 million due to the limited amount of tax deductible goodwill that existed as of December 31, 2010, (2) a benefit associated with the release of deferred tax asset valuation allowances in certain jurisdictions outside of the U.S. during 2010, (3) incremental withholding taxes related to non-recurring licensing agreements entered into during 2010 as compared with 2009, (4) changes to the geographical mix of earnings from operations outside the U.S., (5) losses generated in the U.S. and in certain jurisdictions outside the U.S. for which no benefit was recognized due to management’s conclusion that it was more likely than not that the tax benefits would not be realized, and (6) changes in audit reserves and settlements.

Results of Operations – Discontinued Operations

The loss from discontinued operations in 2010 was primarily due to legal costs related to a 2008 tax refund.

Earnings from discontinued operations in 2009 were primarily driven by the reversal of certain foreign tax reserves which had been recorded in conjunction with the divestiture of the Health Group in 2007.

Extraordinary Gain

The terms of the purchase agreement of the 2004 acquisition of NexPress Solutions LLC called for additional consideration to be paid by the Company if sales of certain products exceeded a stated minimum number of units sold during a five-year period following the close of the transaction. In May 2009, the earn-out period lapsed with no additional consideration required to be paid by the Company. Negative goodwill, representing the contingent consideration obligation of $17 million, was therefore reduced to zero. The reversal of negative goodwill reduced Property, plant and equipment, net by $2 million and Research and development expense by $7 million and resulted in an extraordinary gain of $6 million, net of tax, during the year ended December 31, 2009.

Restructuring Costs, Rationalization and Other

2011

The Company recognizes the need to continually rationalize its workforce and streamline its operations in the face of ongoing business and economic changes. 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 charges of $133 million recorded in 2011 included $10 million of charges for accelerated depreciation and $2 million for inventory write-downs, which were reported in Cost of sales in the accompanying Consolidated Statement of Operations for the year ended December 31, 2011. The remaining $121 million, including $105 million of severance costs, $15 million of exit costs, and $1 million of long-lived asset impairments, were reported in Restructuring costs, rationalization and other in the accompanying Consolidated Statement of Operations for the year ended December 31, 2011. 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 Company expects to utilize the majority of the December 31, 2011 accrual balance in 2012.

During the year ended December 31, 2011, the Company made cash payments related to restructuring and rationalization of approximately $71 million.

The charges of $133 million recorded in the year ended December 31, 2011 included $47 million applicable to FPEG, $34 million applicable to GCG, $9 million applicable to CDG, and $43 million that was applicable to manufacturing/service, research and development, and administrative functions, which are shared across all segments.

The restructuring actions implemented in the year 2011 are expected to generate future annual cash savings of $114 million. These savings are expected to reduce future Cost of sales, SG&A and R&D expenses by $51 million, $55 million, and $8 million, respectively. The Company began realizing these savings in the first quarter of 2011, and expects the majority of the savings to be realized by the second half of 2012 as most of the actions and severance payouts are completed.

2010

During the year ended December 31, 2010, the Company engaged in various initiatives to rationalize its workforce and streamline its operations in the face of ongoing business and economic changes. The Company incurred restructuring and rationalization charges related to these initiatives of $78 million. The charges of $78 million recorded in 2010 included $6 million of charges for accelerated depreciation and $2 million for inventory write-downs, which were reported in Cost of sales in the accompanying Consolidated Statement of Operations for the year ended December 31, 2010. The remaining $70 million, including $49 million of severance costs, $14 million of exit costs, and $7 million of long-lived asset impairments, were reported in Restructuring costs, rationalization and other in the accompanying Consolidated Statement of Operations for the year ended December 31, 2010.

2009

For the year ended December 31, 2009, the Company incurred restructuring and rationalization charges, net of reversals, of $258 million. The $258 million of restructuring and rationalization charges, net of reversals, included $22 million of costs related to accelerated depreciation, and $10 million of charges for inventory write-downs, which were reported in Cost of sales in the accompanying Consolidated Statement of Operations. The remaining costs incurred, net of reversals, of $226 million were reported as Restructuring costs, rationalization and other in the accompanying Consolidated Statement of Operations for the year ended December 31, 2009.

CONSUMER DIGITAL IMAGING GROUP

(dollars in millions)	For the Year Ended December 31,							
	2011	% of Sales	% Change	2010	% of Sales	% Change	2009	% of Sales
Total net sales	$1,739		-36 %	$2,731		4 %	$2,626	
Cost of sales	1,526		-12 %	1,732		-12 %	1,973	
Gross profit	213	12 %	-79 %	999	37 %	53 %	653	25 %
Selling, general and administrative expenses	428	25 %	-21 %	545	20 %	10 %	497	19 %
Research and development costs	134	8 %	-24 %	176	6 %	6 %	166	6 %
(Loss) earnings from continuing operations before interest expense, other income (charges), net and income taxes	$(349)	-20 %	-226 %	$278	10 %	-2880 %	$(10)	0 %

	For the Year Ended December 31,		Change vs. 2010			
	2011 Amount	Change vs. 2010	Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs
Total net sales	$1,739	-36 %	-6 %	-31 %	1 %	n/a
Gross profit margin	12 %	-25pp	n/a	-29pp	1pp	3pp

	For the Year Ended December 31,		Change vs. 2009			
	2010 Amount	Change vs. 2009	Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs
Total net sales	$2,731	4 %	-1 %	6 %	-1 %	n/a
Gross profit margin	37 %	12pp	n/a	6pp	0pp	6pp

As announced on February 9, 2012, the Company plans to phase out its dedicated capture devices business, including digital cameras, pocket video cameras, and digital picture frames in the first half of 2012.

Revenues

CDG’s 2011 revenue decline , as compared with the same period in 2010, was primarily attributable to unfavorable price/mix, driven by a decrease in non-recurring intellectual property royalty revenues (-28%). Also contributing to the decline were lower volumes in Digital Capture and Devices (-10%), largely reflective of the Company’s focus on improved profitability versus revenue growth. Partially offsetting these declines were higher volumes within Consumer Inkjet Systems (+4%), due to continued positive customer response as noted above. Total revenues for Consumer Inkjet Systems grew 39% from the prior year period. The volume increases experienced by the Company outpaced the consumer printing industry, which management believes is reflective of how the Company’s value proposition continues to resonate with customers.

CDG’s 2010 revenue increase of 4% as compared with the same period in 2009 was primarily due to an increase in revenues from non-recurring intellectual property licensing agreements (+15%), partially offset by unfavorable price/mix in the other components of Digital Capture and Devices due to pricing pressures in the industry (-7%). Volume improvements in Consumer Inkjet Systems (+3%) also contributed to the revenue increase. Partially offsetting these increases were volume declines in Retail Systems Solutions (-4%), primarily due to the expiration of a significant customer contract in 2009. Total revenues for Consumer Inkjet Systems grew 29% from the prior year.

Included in revenues were non-recurring intellectual property licensing agreements within Digital Capture and Devices. These licensing agreements contributed $64 million, $838 million, and $435 million to revenues in 2011, 2010, and 2009, respectively.

Gross Profit

The decrease in gross profit margin from 2010 to 2011 was primarily attributable to unfavorable price/mix within Digital Capture and Devices, driven by lower non-recurring intellectual property royalty revenues (-25pp). Unfavorable price/mix, due to competitive pricing pressures within Digital Capture and Devices (-3pp) and Consumer Inkjet Systems (-2pp), also contributed to the decline. These declines were partially offset by ongoing cost improvements within Consumer Inkjet Systems (+4pp), due to improved quality and component cost reductions.

The increase in gross profit margin from 2009 to 2010 for CDG was primarily attributable to the increase in non-recurring intellectual property licensing revenues (+10pp) included in price/mix within Digital Capture and Devices. This was partially offset by unfavorable price/mix in the other components of Digital Capture and Devices (-2pp), largely related to competitive pricing pressures, and by price/mix declines within Retail Systems Solutions

(-1pp), primarily due to the expiration of a significant customer contract in 2009. Cost improvements, primarily within Digital Capture and Devices (+4pp) and Consumer Inkjet Systems (+2pp), positively impacted gross profit margin as a percent of sales and were largely the result of supplier cost reductions and improved product life cycle management.

Included in gross profit were non-recurring intellectual property licensing agreements within Digital Capture and Devices. These licensing agreements contributed $64 million, $838 million, and $435 million to gross profit in 2011, 2010, and 2009, respectively.

Selling, General and Administrative Expenses

The decrease in SG&A expenses from 2010 to 2011 and the increase in SG&A expenses from 2009 to 2010 were primarily attributable to advertising campaigns run in 2010.

Research and Development Costs

The decrease in R&D costs from 2010 to 2011 was primarily due to rationalization of investments.

GRAPHIC COMMUNICATIONS GROUP

(dollars in millions)	For the Year Ended December 31,							
	2011	% of Sales	% Change	2010	% of Sales	% Change	2009	% of Sales
Total net sales	$ 2,736		2 %	$ 2,674		-2 %	$ 2,718	