EASTMAN KODAK CO
Form 10-Q
October 30, 2012

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

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

For the quarterly period ended September 30, 2012
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

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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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.
Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition 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]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Title of each Class | Number of Shares Outstanding at October 26, 2012 |
|---|---|
| Common Stock, $2.50 par value | 272,338,132 |

Eastman Kodak Company
Form 10-Q
September 30, 2012

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

EASTMAN KODAK COMPANY
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)
(in millions, except per share data)

| | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| Net sales | | | | |
| Products | $ 835 | $ 1,051 | $ 2,507 | $ 3,055 |
| Services | 180 | 197 | 540 | 583 |
| Licensing & royalties (Note 9) | 3 | 13 | (53) | 39 |
| Total net sales | $ 1,018 | $ 1,261 | $ 2,994 | $ 3,677 |
| Cost of sales | | | | |
| Products | $ 716 | $ 930 | $ 2,166 | $ 2,741 |
| Services | 142 | 151 | 424 | 453 |
| Total cost of sales | $ 858 | $ 1,081 | $ 2,590 | $ 3,194 |
| Gross profit | $ 160 | $ 180 | $ 404 | $ 483 |
| Selling, general and administrative expenses | 196 | 259 | 608 | 800 |
| Research and development costs | 44 | 59 | 158 | 183 |
| Restructuring costs and other | 117 | 17 | 206 | 77 |
| Other operating (income) expenses, net | (4) | 12 | (4) | (59) |
| Loss from continuing operations before interest expense, other income (charges), net, reorganization items, net and income taxes | (193) | (167) | (564) | (518) |
| Interest expense (contractual interest for the three and nine months ended September 30, 2012 of $52 and $151, respectively) | 41 | 41 | 117 | 116 |
| Loss on early extinguishment of debt, net | - | - | 7 | - |
| Other income (charges), net | 6 | (7) | 5 | 1 |
| Reorganization items, net | 56 | - | 304 | - |
| Loss from continuing operations before income taxes | (284) | (215) | (987) | (633) |
| Provision (benefit) for income taxes | 24 | (1) | (84) | (43) |
| Loss from continuing operations | (308) | (214) | (903) | (590) |
| Loss from discontinued operations, net of income taxes | (4) | (8) | (74) | (57) |
| NET LOSS ATTRIBUTABLE TO EASTMAN KODAK COMPANY | $ (312) | $ (222) | $ (977) | $ (647) |

| | | | | |
|---|---|---|---|---|
| Basic and diluted net loss per share attributable to Eastman Kodak Company common shareholders: | | | | |
| Continuing operations | $ (1.13 ) | $ (0.80 ) | $ (3.32 ) | $ (2.19 ) |
| Discontinued operations | (0.02 ) | (0.03 ) | (0.28 ) | (0.22 ) |
| Total | $ (1.15 ) | $ (0.83 ) | $ (3.60 ) | $ (2.41 ) |
| | | | | |
| Number of common shares used in basic and diluted net loss per share | 271.9 | 268.9 | 271.6 | 268.9 |

The accompanying notes are an integral part of these consolidated financial statements.

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EASTMAN KODAK COMPANY
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME (Unaudited)

| (in millions) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| NET LOSS ATTRIBUTABLE TO EASTMAN KODAK COMPANY | $ (312 ) | $ (222 ) | $ (977 ) | $ (647 ) |
| Other comprehensive income (loss), net of tax: | | | | |
| Realized and unrealized gains from hedging activity, net of tax of $0 and $1 for the three months ended September 30, 2012 and 2011, and $2 and $0 for the nine months ended September 30, 2012 and 2011, respectively | - | (8 ) | 4 | (7 ) |
| Unrealized gain from investment, net of tax of $0 for the three and nine months ended September 30, 2012 | 1 | - | 1 | - |
| Currency translation adjustments | (2 ) | (7 ) | (6 ) | 11 |
| Pension and other postretirement benefit plan obligation activity, net of tax of $7 and $4 for the three months ended September 30, 2012 and 2011, and $15 and $4 for the nine months ended September 30, 2012 and 2011, respectively | 34 | 1 | 95 | 52 |
| Total comprehensive loss, net of tax | $ (279 ) | $ (236 ) | $ (883 ) | $ (591 ) |

The accompanying notes are an integral part of these consolidated financial statements.

EASTMAN KODAK COMPANY
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENT OF RETAINED EARNINGS (Unaudited)

(in millions)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Retained earnings at beginning of period | $ 3,346 | $ 4,536 | $ 4,071 | $ 4,969 |
| Net loss | (312 ) | (222 ) | (977 ) | (647 ) |
| Loss from issuance of treasury stock | (19 ) | (41 ) | (79 ) | (49 ) |
| Retained earnings at end of period | $ 3,015 | $ 4,273 | $ 3,015 | $ 4,273 |

The accompanying notes are an integral part of these consolidated financial statements.

EASTMAN KODAK COMPANY
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

| (in millions) | September 30, 2012 | December 31, 2011 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 1,132 | $ 861 |
| Receivables, net | 813 | 1,103 |
| Inventories, net | 638 | 607 |
| Deferred income taxes | 56 | 58 |
| Other current assets | 54 | 74 |
| Total current assets | 2,693 | 2,703 |
| Property, plant and equipment, net of accumulated depreciation of $4,484 and $4,590, respectively | 746 | 895 |
| Goodwill | 279 | 277 |
| Other long-term assets | 685 | 803 |
| TOTAL ASSETS | $ 4,403 | $ 4,678 |
| LIABILITIES AND EQUITY (DEFICIT) | | |
| Current Liabilities | | |
| Accounts payable, trade | $ 440 | $ 706 |
| Short-term borrowings and current portion of long-term debt | 40 | 152 |
| Accrued income and other taxes | 9 | 40 |
| Other current liabilities | 970 | 1,252 |
| Total current liabilities | 1,459 | 2,150 |
| Long-term debt, net of current portion | 1,400 | 1,363 |
| Pension and other postretirement liabilities | 1,451 | 3,053 |
| Other long-term liabilities | 377 | 462 |
| Liabilities subject to compromise | 2,947 | - |
| Total Liabilities | 7,634 | 7,028 |
| | | |
| Commitments and Contingencies (Note 10) | | |
| | | |
| Equity (Deficit) | | |
| Common stock, $2.50 par value | 978 | 978 |
| Additional paid in capital | 1,106 | 1,108 |
| Retained earnings | 3,015 | 4,071 |
| Accumulated other comprehensive loss | (2,572) | (2,666) |
| | 2,527 | 3,491 |
| Less: Treasury stock, at cost | (5,760) | (5,843) |
| Total Eastman Kodak Company shareholders’ deficit | (3,233) | (2,352) |
| Noncontrolling interests | 2 | 2 |
| Total deficit | (3,231) | (2,350) |
| TOTAL LIABILITIES AND DEFICIT | $ 4,403 | $ 4,678 |

The accompanying notes are an integral part of these consolidated financial statements.

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EASTMAN KODAK COMPANY
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

| | Nine Months Ended September 30, | |
|---|---|---|
| (in millions) | 2012 | 2011 |
| Cash flows from operating activities: | | |
| Net loss | $ (977) | $ (647) |
| Adjustments to reconcile to net cash used in operating activities: | | |
| Loss from discontinued operations, net of income taxes | 74 | 57 |
| Depreciation and amortization | 183 | 223 |
| Gain on sales of businesses/assets | (10) | (72) |
| Loss on early extinguishment of debt | 7 | - |
| Non-cash restructuring costs, asset impairments and other charges | 32 | 15 |
| Non-cash and financing related reorganization items, net | 213 | - |
| Provision for deferred income taxes | 66 | 112 |
| Decrease in receivables | 192 | 113 |
| Increase in inventories | (69) | (80) |
| Increase (decrease) in liabilities excluding borrowings | 41 | (623) |
| Other items, net | (43) | (15) |
| Total adjustments | 686 | (270) |
| Net cash used in continuing operations | (291) | (917) |
| Net cash provided by (used in) discontinued operations | 30 | (121) |
| Net cash used in operating activities | (261) | (1,038) |
| Cash flows from investing activities: | | |
| Additions to properties | (51) | (88) |
| Proceeds from sales of businesses/assets | 35 | 94 |
| Business acquisitions, net of cash acquired | - | (27) |
| Funding of restricted cash and investment accounts | - | (22) |
| Marketable securities - sales | 78 | 58 |
| Marketable securities - purchases | (72) | (55) |
| Net cash used in continuing operations | (10) | (40) |
| Net cash provided by discontinued operations | 27 | - |
| Net cash provided by (used in) investing activities | 17 | (40) |
| Cash flows from financing activities: | | |
| Proceeds from DIP credit agreement | 686 | - |

| | | | | |
|---|---|---|---|---|
| Proceeds from other borrowings | | - | | 407 |
| Repayment of borrowings | | (175 ) | | (100 ) |
| Reorganization items | | (40 ) | | - |
| Debt issuance costs | | - | | (6 ) |
| Proceeds from sale and leaseback transaction | | 41 | | - |
| Net cash provided by financing activities | | 512 | | 301 |
| Effect of exchange rate changes on cash | | 3 | | 15 |
| Net increase (decrease) in cash and cash equivalents | | 271 | | (762 ) |
| Cash and cash equivalents, beginning of period | | 861 | | 1,624 |
| Cash and cash equivalents, end of period | $ | 1,132 | $ | 862 |

The accompanying notes are an integral part of these consolidated financial statements.

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EASTMAN KODAK COMPANY
(DEBTOR-IN-POSSESSION)
NOTES TO FINANCIAL STATEMENTS (Unaudited)

NOTE 1: BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

BASIS OF PRESENTATION

The consolidated interim financial statements are unaudited, and certain information and footnote disclosures related thereto normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted in accordance with Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited consolidated financial statements were prepared following the same policies and procedures used in the preparation of the audited financial statements and reflect all adjustments (consisting of normal recurring adjustments) necessary to present fairly the results of operations, financial position and cash flows of Eastman Kodak Company, its wholly-owned subsidiaries, and its majority owned subsidiaries (collectively, the Company). The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. These consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

On January 19, 2012 (the “Petition Date”), Eastman Kodak Company and its U.S. subsidiaries (collectively, 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 Company incurred a net loss for the years ended 2011, 2010 and, 2009, as well as the nine months ended September 30, 2012, and had a shareholders’ deficit as of September 30, 2012, December 31, 2011 and December 31, 2010. To improve the Company’s performance and address competitive challenges, the Company is developing a strategic plan for the ongoing operation of the Company’s business. Successful implementation of the Company’s plan, however, is subject to numerous risks and uncertainties. In addition, the competitive industry conditions under which the Company operates have negatively impacted the Company’s financial position, results of operations and cash flows and may continue to do so in the future. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The Company’s ability to continue as a going concern is contingent upon the Company’s ability to comply with the financial and other covenants contained in its Debtor-in-Possession Credit Agreement (the “DIP Credit Agreement”), the Bankruptcy Court’s approval of the Company’s reorganization plan and the Company’s ability to successfully implement the Company’s plan and obtain exit financing, among other factors. As a result of the Bankruptcy Filing, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession under chapter 11, the Company may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business (and subject to restrictions contained in the DIP Credit Agreement), for amounts other than those reflected in the accompanying consolidated financial statements. Further, the reorganization plan could materially change the amounts and classifications of assets and liabilities reported in the consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or 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 or as a consequence of the Bankruptcy Filing. Refer to Note 2, “Chapter 11 Filing” for additional information.

Certain amounts for prior periods have been reclassified to conform to the current period classification due to changes in the Company’s segment reporting structure and the presentation of discontinued operations. Refer to Note 17, “Segment Information” and Note 19, “Discontinued Operations” for additional information.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, "Intangibles-Goodwill and Other (Accounting Standards Codification (ASC) Topic 350) – Testing Goodwill for Impairment." ASU No. 2011-08 amends the impairment test for goodwill by allowing companies to first assess qualitative factors to determine if it is more likely than not that goodwill might be impaired and whether it is necessary to perform the current two-step goodwill impairment test. The changes to the ASC as a result of this update were effective prospectively for interim and annual periods beginning after December 15, 2011 (January 1, 2012 for the Company). The adoption of this guidance did not impact the Company's Consolidated Financial Statements.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (ASC Topic 220) - Presentation of Comprehensive Income." ASU No. 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity and requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently, the FASB issued ASU No. 2011-12, "Comprehensive Income (ASC Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." ASU 2011-12 defers indefinitely the provision within ASU 2011-05 requiring entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the income statement and the statement in which other comprehensive income is presented. ASU 2011-12 does not change the other provisions instituted within ASU 2011-05. The amendments of both ASUs were effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011 (January 1, 2012 for the Company). The adoption of this guidance required changes in presentation only and did not have an impact on the Company's Consolidated Financial Statements.

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement (ASC Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU No. 2011-04 amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The changes to the ASC as a result of this update were effective prospectively for interim and annual periods beginning after December 15, 2011 (January 1, 2012 for the Company). The adoption of this guidance did not have a significant impact on the Company's Consolidated Financial Statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2012, the FASB issued ASU No. 2012-02, "Intangibles-Goodwill and Other (ASC Topic 350) – Testing Indefinite-Lived Intangible Assets for Impairment." ASU No. 2012-02 amends the impairment test for indefinite-lived intangible assets by allowing companies to first assess the qualitative factors to determine if it is more likely than not that an indefinite-lived intangible asset might be impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The changes to the ASC as a result of this update are effective prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 (January 1, 2013 for the Company). The Company does not expect that the adoption of this guidance will have a material impact on its Consolidated Financial Statements.

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (ASC Topic 210): Disclosures about Offsetting Assets and Liabilities." ASU No. 2011-11 creates new disclosure requirements about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The changes to the ASC as a result of this update are effective for periods beginning on or after January 1, 2013 (January 1, 2013 for the Company) and must be shown retrospectively for all comparative periods presented.  This guidance requires new disclosures only, and will have no impact on the Company's Consolidated Financial Statements.

In December 2011, the FASB issued ASU No. 2011-10, "Derecognition of in Substance Real Estate – a Scope Clarification," which amends ASC Topic 360, "Property, Plant and Equipment."  ASU No. 2011-10 states that when an investor ceases to have a controlling financial interest in an entity that is in-substance real estate as a result of a default on the entity's nonrecourse debt, the investor should apply the guidance under ASC Subtopic 360-20, Property, Plant and Equipment – Real Estate Sales to determine whether to derecognize the entity's assets (including real estate) and liabilities (including the nonrecourse debt).  The changes to the ASC as a result of this update are effective prospectively for deconsolidation events occurring during fiscal years, and interim periods within those years, beginning on or after June 15, 2012 (January 1, 2013 for the Company).  Adoption of this guidance will not impact the Company's Consolidated Financial Statements.

NOTE 2: CHAPTER 11 FILING

The Bankruptcy Filing is intended to permit the Company to reorganize and increase liquidity in the U.S. and abroad, monetize non-strategic intellectual property and businesses, 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 a 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 Debtors’ 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 Debtors’ 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.

The Debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases subject to the approval of the Bankruptcy Court and certain other conditions. In general, rejection of an executory contract or unexpired lease is treated as a pre-petition breach of the executory contract or unexpired lease in question and, subject to certain exceptions, relieves the Debtors from performing their future obligations under such executory contract or unexpired lease but entitles the contract counter-party or lessor to a pre-petition general unsecured claim for damages caused by such deemed breach. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure any existing defaults under such executory contract or unexpired lease.

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 affecting the Debtors that come before the Bankruptcy Court. 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.

On May 3, 2012, the U.S. Trustee appointed an official committee of retired employees of the Debtor entities.

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.

On May 2, 2012, the Bankruptcy Court approved the Company's motion to extend the period of time that the court gives the Company the exclusive right to file a plan of reorganization through and including October 15, 2012. The extension concerns only the length of time in which the Company has the sole right to file a plan of reorganization, not the duration of the case. On September 28, 2012, the Company filed a motion to further extend the period of exclusivity through and including February 28, 2013. A hearing on this motion is scheduled for November 14, 2012. The DIP Credit Agreement stipulates that a draft of an acceptable reorganization plan is to be provided to the DIP agent on or prior to January 15, 2013 and further requires the filing of an acceptable reorganization plan and disclosure statement with the court on or prior to February 15, 2013. The Company presently expects that any proposed reorganization plan will provide, among other things, settlement of the obligations under the DIP Credit agreement, 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. In the event the Company does not secure approval of the reorganization plan, the outstanding DIP Credit Agreement principal and interest could become immediately due and payable.

Pre-Petition Claims

On April 18, 2012, as amended on May 16, 2012, the Debtors filed schedules of assets and liabilities and statements of financial affairs with the Bankruptcy Court. On May 10, 2012, the Bankruptcy Court entered an order establishing July 17, 2012 as the bar date for potential creditors to file proofs of claims and established the required procedures with respect to filing such claims. A bar date is the date by which pre-petition claims against the Debtors must be filed if the claimants wish to receive any distribution in the chapter 11 proceedings.

As of September 30, 2012 the Debtors have received approximately 6,000 proofs of claim, a portion of which assert, in part or in whole, unliquidated claims. In the aggregate, total liquidated proofs of claim of approximately $20.5 billion have been filed against the Debtors. New and amended claims may be filed in the future, including claims amended to assign values to claims originally filed with no designated value. The Company is now in the process of reconciling such claims to the amounts listed by the Debtors in their schedule of assets and liabilities (as amended). Differences in liability amounts estimated by the Company and claims filed by creditors will be investigated and resolved, including through the filing of objections with the Bankruptcy Court, where appropriate. The Company may ask the Bankruptcy Court to disallow claims that the Company believes are duplicative, have been later amended or superseded, are without merit, are overstated or should be disallowed for other reasons. In addition, as a result of this process, the Company may identify additional liabilities that will need to be recorded or reclassified to liabilities subject to compromise. In light of the substantial number of claims filed, the claims resolution process may take considerable time to complete. The resolution of such claims could result in material adjustments to the Company's financial statements. The determination of how liabilities will ultimately be treated cannot be made until the Bankruptcy Court approves a plan of reorganization. Accordingly, the ultimate amount or treatment of such liabilities is not determinable at this time.

Financial Reporting in Reorganization

Expenses, gains and losses directly associated with reorganization proceedings are reported as Reorganization items, net in the accompanying Consolidated Statement of Operations. In addition, liabilities subject to compromise in the chapter 11 proceedings are distinguished from liabilities of Non-Filing Entities, fully secured liabilities not expected to be compromised and from post-petition liabilities in the accompanying Consolidated Statement of Financial

Position as of September 30, 2012. Where there is uncertainty about whether a secured claim will be paid or impaired under the chapter 11 proceedings, the Company has classified the entire amount of the claim as a liability subject to compromise. The amount of liabilities subject to compromise represents the Company's estimate, where an estimate is determinable, of known or potential pre-petition claims to be addressed in connection with the bankruptcy proceedings. Such liabilities are reported at the Company's current estimate, where an estimate is determinable, of the allowed claim amount, even though they may settle for lesser amounts. These claims remain subject to future adjustments, which may result from: negotiations; actions of the Bankruptcy Court; disputed claims; rejection of contracts and unexpired leases; the determination as to the value of any collateral securing claims; proofs of claims; or other events.

Effective as of January 19, 2012, the Company ceased recording interest expense on outstanding pre-petition debt classified as liabilities subject to compromise. Contractual interest expense represents amounts due under the contractual terms of outstanding debt, including debt subject to compromise. For the period from January 19, 2012 through September 30, 2012 contractual interest expense related to liabilities subject to compromise of approximately $34 million has not been recorded, as it is not expected to be an allowed claim under the chapter 11 case.

Section 363 Asset Sales

On March 1, 2012, the Company entered into an agreement with Shutterfly, Inc. related to the proposed sale of certain assets of Kodak Gallery on-line photo services business for $23.8 million (the “Stalking Horse Purchase Agreement”). On May 1, 2012, the Bankruptcy Court approved the Stalking Horse Purchase Agreement. The Company received cash proceeds of approximately $19 million on the closing date, May 2, 2012. The remaining proceeds were received on September 28, 2012 upon the successful transfer of the assets to Shutterfly, Inc. Approximately 75% of the net proceeds from the sale were used to repay term debt under the DIP Credit Agreement.

On June 11, 2012, the Debtors filed a motion with the Bankruptcy Court seeking approval of bidding procedures to auction their Digital Capture and Kodak Imaging Systems and Services patent portfolios. On July 2, 2012, the Bankruptcy Court approved the motion. On September 14, 2012, the Debtors announced that they continue to have active negotiations with regard to the potential sale of their digital imaging patent portfolios. Also on September 14, 2012, the Debtors filed with the Bankruptcy Court a notice to adjourn the sale hearing until further notice. As of September 30, 2012, the Debtors have not reached a determination or agreement to sell the digital imaging patent portfolios and may, in consultation with their creditors, decide to retain and license these assets as a source of recovery for the Debtors’ creditors.

On August 23, 2012, the Company announced the decision to initiate sale processes for its Personalized Imaging and Document Imaging businesses. The Personalized Imaging business consists of Retail Systems Solutions, Paper & Output Systems, and Event Imaging Solutions. The Document Imaging business consists of scanners, as well as capture software, and services for enterprise customers. As of September 30, 2012, these businesses did not qualify for discontinued operations treatment as Bankruptcy Court approval is required for any potential sale.

Other Postemployment Benefits

On October 10, 2012, the Debtors filed a motion with the Bankruptcy Court seeking approval of a settlement agreement with the Official Committee of Retired Employees appointed by the U.S. Trustee under the chapter 11 proceedings (the "Retiree Committee"). The Retiree Committee was appointed to negotiate with the Debtors on behalf of retirees, long-term disability recipients, and their spouses, dependents or survivors, concerning the future of retiree medical, dental, life insurance and survivor income benefits. The proposed settlement agreement provides, among other things, that the Debtors will no longer provide retiree medical, dental, life insurance and survivor income benefits to current and future retirees after December 31, 2012 (other than, at the retirees’ own cost, COBRA continuation coverage of medical and/or dental benefits available to active employees or conversion coverage as required by the plans or applicable law), and the Retiree Committee will set up a trust or account from which some limited benefits for some retirees may be provided after December 31, 2012. The trust or account will be funded by the following contributions from the Debtors: $7.5 million in cash, an administrative claim against the Debtors in the amount of $15 million, and a general unsecured claim against the Debtors in the amount of $635 million. As part of the settlement, all other claims arising from or based on the termination or modification of retiree medical, dental, life insurance and survivor income benefits will be deemed settled and disallowed. A Bankruptcy Court hearing on the Debtors' motion has been scheduled for November 1, 2012.

The unfunded position of the U.S. postretirement benefit plans of approximately $1.2 billion (calculated in accordance with U.S. GAAP) included in Liabilities subject to compromise presented in the Consolidated Statement of Financial Position as of September 30, 2012.

Retirees' pension arrangements are not impacted by the proposed agreement with the Retiree Committee.



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Eastman Kodak Company Guarantee

Eastman Kodak Company ("EKC") has previously issued (pre-petition) a guarantee to Kodak Limited ("Subsidiary") and the Trustee ("Trustee") of the Kodak Pension Plan ("Plan") in the United Kingdom. Under that arrangement, EKC guaranteed to the Subsidiary and the Trustee the ability of the Subsidiary, only to the extent it becomes necessary to do so, to (1) make contributions to the Plan to ensure sufficient assets exist to make plan benefit payments, as they become due, if the Plan otherwise would not have sufficient assets and (2) make contributions to the Plan such that it will achieve fully funded status by the funding valuation for the period ending December 31, 2022.

The Subsidiary agreed to make certain contributions to the Plan as determined by a funding plan agreed to by the Trustee. Under the terms of this agreement, the Subsidiary is obligated to pay a minimum amount of $50 million to the Plan in each of the years 2011 through 2014, and a minimum amount of $90 million to the Plan in each of the years 2015 through 2022. Future funding beyond 2022 would be required if the Plan is still not fully funded as determined by the funding valuation for the period ending December 31, 2022. Under the terms of this agreement, these payment amounts for the years 2015 through 2022 could be lower, and the payment amounts for all years noted could be higher by up to $5 million, based on the exchange rate between the U.S. dollar and British pound. These minimum amounts do not include potential contributions related to tax benefits received by the Subsidiary.

The underfunded position of the Plan of approximately $1.1 billion (calculated in accordance with U.S. GAAP) is included in Pension and other postretirement liabilities presented in the Consolidated Statement of Financial Position as of September 30, 2012. The underfunded obligation relates to a non-debtor entity. The Trustee has asserted an unsecured claim of approximately $2.8 billion under the guarantee. Kodak Limited has also asserted an unsecured claim under the guarantee for an unliquidated amount. The ultimate treatment of the Trustee's and Kodak Limited's claims is not determinable at this time.

EKC has proposed that the Subsidiary's 2012 contribution be considered part of the overall resolution of the claims of the Trustee and Kodak Limited.

NOTE 3: LIABILITIES SUBJECT TO COMPROMISE

The following table reflects pre-petition liabilities that are subject to compromise.

| (in millions) | As of September 30, 2012 |
|---|---|
| Accounts payable | $ 286 |
| Debt | 683 |
| Pension and postretirement obligations | 1,722 |
| Other liabilities subject to compromise | 256 |
| Liabilities subject to compromise | $ 2,947 |

The Bankruptcy Filing constituted an event of default with respect to certain of the Company's debt instruments. Refer to Note 8, "Short-Term Borrowings and Long-Term Debt" for additional information. Other liabilities subject to compromise include accrued liabilities for customer programs, deferred compensation, environmental, taxes, and contract and lease rejections. The amount of liabilities subject to compromise represents the Company's estimate, where an estimate is determinable, of known or potential pre-petition claims to be addressed in connection with the bankruptcy proceedings. Such liabilities are reported at the Company's current estimate, where an estimate is determinable, of the allowed claim amount, even though they may settle for lesser amounts. These claims remain subject to future adjustments, which may result from: negotiations; actions of the Bankruptcy Court; disputed claims;

rejection of contracts and unexpired leases; the determination as to the value of any collateral securing claims; proofs of claims; or other events.  Refer to Note 2, "Chapter 11 Filing" for additional information.

NOTE 4: REORGANIZATION ITEMS, NET

A summary of reorganization items, net for the three and nine months ended September 30, 2012 is presented in the following table:

| (in millions) | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2012 |
|---|---|---|
| Professional fees | $ 37 | $ 125 |
| DIP credit agreement financing costs | - | 45 |
| Provision for expected allowed claims | 19 | 138 |
| Other items, net | - | (4) |
| Reorganization items, net | $ 56 | $ 304 |

For the three and nine months ended September 30, 2012, the Company paid approximately $48 million and $131 million, respectively, for reorganization items.

NOTE 5: RECEIVABLES, NET

| | As of | |
|---|---|---|
| (in millions) | September 30, 2012 | December 31, 2011 |
| Trade receivables | $ 699 | $ 996 |
| Miscellaneous receivables | 114 | 107 |
| Total (net of allowances of $53 and $51 as of September 30, 2012 and December 31, 2011, respectively) | $ 813 | $ 1,103 |

Approximately $112 million and $191 million of the total trade receivable amounts as of September 30, 2012 and December 31, 2011, respectively, will potentially be settled through customer deductions in lieu of cash payments. Such deductions represent rebates owed to customers and are included in Other current liabilities as of December 31, 2011 and Other current liabilities and Liabilities subject to compromise as of September 30, 2012 in the accompanying Consolidated Statement of Financial Position.

NOTE 6: INVENTORIES, NET

| (in millions) | As of September 30, 2012 | As of December 31, 2011 |
|---|---|---|
| Finished goods | $ 381 | $ 379 |
| Work in process | 146 | 123 |
| Raw materials | 111 | 105 |
| Total | $ 638 | $ 607 |

NOTE 7: GOODWILL

The carrying value of goodwill by reportable segments is as follows:

| (in millions) | Graphics, Entertainment and Commercial Films Segment | Digital Printing and Enterprise Segment | Personalized and Document Imaging Segment | Consolidated Total |
|---|---|---|---|---|
| Balance as of December 31, 2011: | $ 1 | $ 17 | $ 259 | $ 277 |
| Currency translation adjustments | - | - | 2 | 2 |
| Balance as of September 30, 2012: | $ 1 | $ 17 | $ 261 | $ 279 |

Gross goodwill and accumulated impairment losses are $1.688 billion and $1.411 billion, respectively, as of December 31, 2011 and $1.690 billion and $1.411 billion, respectively, as of September 30, 2012.

As of December 31, 2011, the net goodwill balance of $277 million, under the prior year segment reporting structure, was comprised of $197 million for the Consumer Digital Imaging Group and $80 million for the Graphic Communications Group.

The Company tests goodwill for impairment annually on September 30, or 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, which 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.

As a result of the change in segments that became effective as of September 30, 2012, the Company's reporting units changed. The Personalized and Document Imaging segment has three reporting units: Personalized Imaging, Document Imaging and Intellectual Property. The Graphics, Entertainment and Commercial Films segment has two reporting units: Graphics and Entertainment Imaging and Commercial Films. The Digital Printing and Enterprise Segment has four reporting units: Digital Printing, Packaging and Functional Printing, Enterprise Services and Solutions, and Consumer Inkjet Systems.

Prior to the September 30, 2012 change in reporting units, the only reporting units with goodwill remaining were the Consumer Digital Imaging Group ("CDG") and the Business Services and Solutions Group ("BSSG"). Consumer Inkjet Systems which was part of the CDG reporting unit was transferred to the Digital Printing and Enterprise segment. Personalized Imaging and Intellectual Property, which were part of the CDG reporting unit, are now included in the Personalized and Document Imaging Segment. Document Imaging, which was part of the BSSG reporting unit, was transferred to the Personalized and Document Imaging segment. Workflow software which was part of BSSG was transferred to the Graphics, Entertainment and Commercial Films segment. Enterprise Services and Solutions which was part of BSSG is included in the Digital Printing and Enterprise Segment. Goodwill was reassigned to affected reporting units using a relative fair value allocation.

Based upon the results of the Company's September 30, 2012 analysis, no impairment of goodwill was indicated.

NOTE 8: SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Debt and related maturities and interest rates were as follows at September 30, 2012 and December 31, 2011:

| (in millions) | | | | As of September 30, 2012 | As of December 31, 2011 |
|---|---|---|---|---|---|
| Country | Type | Maturity | Weighted-Average Effective Interest Rate | Carrying Value | Carrying Value |
| Current portion: | | | | | |
| U.S. | Revolver | 2013 | 4.75 % | $ - | $ 100 |
| Germany | Term note | 2012-2013 | 6.16 % | 38 | 40 |
| Brazil | Term note | 2012-2013 | 19.80 % | 2 | 2 |
| | | | | 40 | 142 |
| Non-current portion: | | | | | |
| U.S. | DIP Credit Agreement | 2013 | 8.66 % | 661 | - |
| Germany | Term note | 2013 | 6.16 % | - | 35 |
| Brazil | Term note | 2013 | 19.80 % | - | 3 |
| U.S. | Secured term note | 2018 | 10.11 % | 492 | 491 |
| U.S | Secured term note | 2019 | 10.87 % | 247 | 247 |
| | | | | 1,400 | 776 |
| Liabilities subject to compromise: | | | | | |
| U.S. | Term note | 2013 | 6.16 % | 20 | 19 |
| U.S. | Term note | 2013 | 7.25 % | 250 | 250 |
| U.S. | Convertible | 2017 | 12.75 % | 400 | 315 |
| U.S. | Term note | 2018 | 9.95 % | 3 | 3 |
| U.S. | Term note | 2021 | 9.20 % | 10 | 10 |
| | | | | 683 | 597 |
| | | | | $ 2,123 | $ 1,515 |

The carrying value of the 2017 Convertible Senior Notes was increased during the quarter ended June 30, 2012 to reflect the stated principal amount of the notes. When the notes were initially issued, $107 million of the principal amount of the debt was allocated to reflect the equity component of the notes. The remaining carrying value of the debt was originally being accreted to the $400 million stated principal amount using the effective interest method. The increase, in the second quarter of 2012, in the carrying value of the debt resulted in a $90 million provision for expected allowed claims reflected in Reorganization items, net in the accompanying Consolidated Statement of Operations.

No portion of the carrying value of the Company's debt was considered Liabilities subject to compromise in the Statement of Financial Position as of December 31, 2011, as the Company filed for chapter 11 bankruptcy protection on January 19, 2012. The amounts shown as Liabilities subject to compromise as of December 31, 2011 in the table above were classified as long-term debt as of December 31, 2011 and are reflected as liabilities subject to compromise above only for presentation purposes.

Annual maturities of debt outstanding at September 30, 2012, excluding debt classified as liabilities subject to compromise, were as follows:

| (in millions) | Carrying Value | Maturity Value |
| --- | --- | --- |
| 2013 | $ 701 | $ 709 |
| 2014 | - | - |
| 2015 | - | - |
| 2016 | - | - |
| 2017 and thereafter | 739 | 750 |
| Total | $ 1,440 | $ 1,459 |

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"), with certain subsidiaries of the Company and the Canadian Borrower signatory thereto ("Subsidiary Guarantors"), the lenders signatory thereto (the "Lenders"), Citigroup Global Markets Inc., as sole lead arranger and bookrunner, and Citicorp North America, Inc., as syndication agent, administration agent and co-collateral agent (the "Agent"). Pursuant to the terms of the DIP Credit Agreement, the Lenders agreed to lend in an aggregate principal amount of up to $950 million, consisting of an up to $250 million super-priority senior secured asset-based revolving credit facility and an up to $700 million super-priority senior secured term loan facility (collectively, the "Loans"). A portion of the revolving credit facility will be available to the Canadian Borrower and may be borrowed in Canadian Dollars. The DIP Credit Agreement was approved on February 15, 2012 by the Bankruptcy Court. The DIP Credit Agreement terminates and all outstanding obligations must be repaid on the earliest to occur of (i) July 20, 2013, (ii) the date of the substantial consummation of certain reorganization plans, or (iii) certain other events, including Events of Default and repayment in full of the obligations pursuant to a mandatory prepayment.

The Company and each existing and future direct or indirect U.S. subsidiary of the Company (other than indirect U.S. subsidiaries held through foreign subsidiaries and certain immaterial subsidiaries (if any)) (the "U.S. Guarantors") have agreed to provide unconditional guarantees of the obligations of the Borrowers under the DIP Credit Agreement. In addition, the U.S. Guarantors, the Canadian Borrower and each existing and future direct and indirect Canadian subsidiary of the Canadian Borrower (other than certain immaterial subsidiaries (if any)) (the “Canadian Guarantors” and, together with the U.S. Guarantors, the “Guarantors”) have agreed to provide unconditional guarantees of the obligations of the Canadian Borrower under the DIP Credit Agreement.

Under the terms of the DIP Credit Agreement, the Company will have the option to have interest on the loans provided thereunder accrue at a base rate or the then applicable LIBOR Rate (subject to certain adjustments and, in the case of the term loan facility, a floor of 1.00%), plus a margin, (x) in the case of the revolving loan facility, of 2.25% for a base rate revolving loan or 3.25% for a LIBOR rate revolving loan, and (y) in the case of the term loan facility, of 6.50% for a base rate loan and 7.50% for a LIBOR Rate loan. The obligations of the Borrowers and the Guarantors under the DIP Credit Agreement are secured by a first-priority security interest in and lien upon all of the existing and after-acquired personal property of the Company and the U.S. Guarantors, including pledges of all stock or other equity interest in direct subsidiaries owned by the Company or the U.S. Guarantors (but only up to 65% of the voting stock of each direct foreign subsidiary owned by the Company or any U.S. Guarantor in the case of pledges securing the Company's and the U.S. Guarantors' obligations under the DIP Credit Agreement). Assets of the type described in the preceding sentence of the Canadian Borrower or any Canadian subsidiary of the Canadian Borrower are similarly pledged to secure the obligations of the Canadian Borrower and Canadian Guarantor under the DIP Credit Agreement. The security and pledges are subject to certain exceptions.

The DIP Credit Agreement limits, among other things, the Borrowers' and the Subsidiary Guarantors' ability to (i) incur indebtedness, (ii) incur or create liens, (iii) dispose of assets, (iv) prepay subordinated indebtedness and make other restricted payments, (v) enter into sale and leaseback transactions and (vi) modify the terms of any organizational documents and certain material contracts of the Borrowers and the Subsidiary Guarantors. In addition to standard obligations, the DIP Credit Agreement provides for specific milestones that the Company must achieve by specific target dates. In addition, the Company and its subsidiaries are required to maintain consolidated Adjusted EBITDA (as defined in the DIP Credit Agreement) of not less than a specified level for certain periods, with the specified levels ranging from $(130) million to $175 million depending on the applicable period. The Company and its subsidiaries must also maintain minimum U.S. Liquidity (as defined in the DIP Credit Agreement) ranging from $100 million to $250 million depending on the applicable period. The Company was required to maintain U.S. Liquidity of $125 million, $250 million, and $150 million for the periods from January 20, 2012 to February 15, 2012; February 16, 2012 to March 31, 2012; and April 1, 2012 to September 30, 2012, respectively. From October 1, 2012 through the termination of the DIP Credit Agreement, the Company must maintain U.S. Liquidity of $100 million, subject to increase under certain circumstances as described in the DIP Credit Agreement. The Company was in compliance with all covenants under the DIP credit agreement as of September 30, 2012.

The Company must prepay the DIP Credit Agreement with all net cash proceeds from sales of or casualty events relating to certain types of collateral consisting of accounts, inventory, equipment or machinery (as defined in the DIP Credit Agreement). In addition, all net cash proceeds from any sale in respect of the Company's digital imaging patent portfolio must be used to prepay the DIP Credit Agreement. With respect to all other asset sales or casualty events, or intellectual property licensing or settlement agreements, 75% of the net cash proceeds must be used to prepay the DIP Credit Agreement and 25% may be retained by the Company (retained proceeds were $25 million as of September 30, 2012). However, once the Company's share of these retained proceeds totals $150 million, all remaining and future net proceeds must be used to prepay the DIP Credit Agreement.

The Borrowers drew $700 million in term loans under the DIP Credit Agreement during the first quarter of 2012 and have issued approximately $114 million of letters of credit under the revolving credit facilities as of September 30, 2012. Under the DIP Credit Agreement borrowing base calculation the Borrowers had approximately $70 million available under the revolving credit facility as of September 30, 2012. Availability under the DIP Credit Agreement is subject to borrowing base availability, reserves and other limitations.

Second Amended and Restated Credit Agreement

On April 26, 2011, the Company and its subsidiary, Kodak Canada, Inc., together with the Company's U.S. subsidiaries as guarantors entered into a Second Amended and Restated Credit Agreement ("Second Amended Credit

Agreement"), with the named lenders and Bank of America, N.A. as administrative agent, in order to amend and extend its Amended and Restated Credit Agreement dated as of March 31, 2009, as amended ("Amended Credit Agreement").

On January 20, 2012, the Company repaid all obligations and terminated all commitments under the Second Amended and Restated Credit Agreement in connection with entering into and drawing funds from the DIP Credit Agreement. The repayment resulted in a loss on early extinguishment of debt of $7 million.

Second Lien Note Holders Agreement

On February 14, 2012, the Company reached an adequate protection agreement with a group representing at least 50.1% of the Second Lien Note Holders (2019 Senior Secured Note Holders and 2018 Senior Secured Note Holders), which was reflected in the final DIP Credit Agreement order (the "Final DIP Order"). The Company agreed, among other things, to provide all Second Lien Note Holders with a portion of the proceeds received from certain sales and settlements in respect of the Company's digital imaging patent portfolio subject to the following waterfall and the Company's right to retain a percentage of certain proceeds under the DIP Credit Agreement: first, to repay any outstanding obligations under the DIP Credit Agreement, including cash collateralizing letters of credit (unless certain parties otherwise agree); second, to pay 50% of accrued second lien interest at the non-default rate; third, the Company retains $250 million; fourth, to repay the remaining accrued and unpaid second lien interest at the non-default rate; fifth, any remaining proceeds after conditions one through four up to $2,250 million to be split 60% to the Company and 40% to repay outstanding second lien debt at par; and sixth, the Company agreed that any proceeds above $2,250 million will be split 50% to the Company and 50% to Second Lien Note Holders until second lien debt is fully paid. The Company also agreed to pay current interest to Second Lien Note Holders upon the receipt of $250 million noted above. Subject to the satisfaction of certain conditions, the Company also agreed to pay reasonable fees of certain advisors to the Second Lien Note Holders.

The Bankruptcy Filing constituted an event of default with respect to the Company's Senior Secured Notes due 2019 and Senior Secured Notes due 2018. The creditors are, however, stayed from taking any action as a result of the default under Section 362 of the Bankruptcy Code. As a result of the adequate protection agreement reached with the Second Lien Note Holders and consideration of existing collateral, these debt obligations are considered fully secured and have not been reported as liabilities subject to compromise.

Debt Subject to Compromise

The Bankruptcy Filing constituted an event of default with respect to certain of the Company's unsecured debt obligations. As a result of the Bankruptcy Filing, the principal and interest due under these debt instruments shall be immediately due and payable. However, the creditors are stayed from taking any action as a result of the default under Section 362 of the Bankruptcy Code.

NOTE 9: INCOME TAXES

The Company's income tax provision (benefit) and effective tax rate were as follows:

| (in millions) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| Loss from continuing operations before income taxes | $ (284) | $ (215) | $ (987) | $ (633) |
| Effective tax rate | (8.5)% | 0.5 % | 8.5 % | 6.8 % |
| Provision (benefit) for income taxes | $ 24 | $ (1) | $ (84) | $ (43) |
| Benefit for income taxes @ 35% | $ (99) | $ (75) | $ (345) | $ (222) |
| Difference between tax at effective vs. statutory rate | $ 123 | $ 74 | $ 261 | $ 179 |

For the three months ended September 30, 2012, the difference between the Company's recorded benefit and the benefit that would result from applying the U.S. statutory rate of 35.0% is primarily attributable to: (1) 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, (2) a provision associated with legislative tax rate changes in a jurisdiction outside the U.S., and (3) tax accounting impacts related to items reported in Accumulated other comprehensive loss in the Consolidated Statement of Financial Position.

In March 2011, the Company filed a Request for Competent Authority Assistance with the United States Internal Revenue Service (IRS). The request related to a potential double taxation issue with respect to certain patent licensing royalty payments received by the Company in 2009 and 2010. In the nine months ended September 30, 2012, the Company received notification that the IRS had reached agreement with the Korean National Tax Service (NTS) with regards to the Company's March 2011 request. As a result of the agreement reached by the IRS and NTS, the Company was due a partial refund of Korean withholding taxes in the amount of $123 million. The Company had previously agreed with the licensees that made the royalty payments that any refunds of the related Korean withholding taxes would be shared equally between the Company and the licensees. The licensees' share ($61 million) of the Korean withholding tax refund has therefore been reported as a licensing revenue reduction in Licensing & royalties in the Consolidated Statement of Operations.

For the nine months ended September 30, 2012, the difference between the Company's recorded benefit and the benefit that would result from applying the U.S. statutory rate of 35.0% is primarily attributable to: (1) 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, (2) a benefit as a result of the Company reaching a settlement of the competent authority claim noted above, (3) tax accounting impacts related to items reported in Accumulated other comprehensive loss in the Consolidated Statement of Financial Position, (4) provisions associated with the establishment of deferred tax asset valuation allowances outside the U.S., (5) a provision associated with legislative tax rate changes in a jurisdiction outside the U.S., and (6) a provision associated with foreign withholding taxes on undistributed earnings.

During the nine months ended September 30, 2012, 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 tax provision of $20 million associated with the establishment of a valuation allowances on those deferred tax assets.

For the three months ended September 30, 2011, the difference between the Company's recorded benefit and the benefit that would result from applying the U.S. statutory rate of 35.0% is primarily attributable to: (1) 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, (2) a provision associated with legislative tax rate changes in a jurisdiction outside the U.S., (3) a provision related to withholding taxes on undistributed earnings, and (4) a benefit as a result of the Company reaching a settlement with a taxing authority in a location outside the U.S.

During the third quarter of 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 the 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 for greater flexibility in its cash management.

As a result of the change in its assertion the Company recorded an estimated deferred tax liability (net of related foreign tax credits) of $373 million on the foreign subsidiaries' undistributed earnings. This deferred tax liability was fully offset by a corresponding decrease in the Company's U.S. valuation allowance, which resulted in no net impact on the tax provision. The Company also recorded a provision of $35 million for the potential foreign withholding taxes on the undistributed earnings.

During the three months ended September 30, 2011, the Company agreed to terms with a tax authority outside the U.S. and settled audits for calendar years 2001 through 2002. For these years, the Company originally recorded liabilities for uncertain tax positions (UTP) totaling $56 million (plus interest of approximately $43 million). The settlement resulted in a net reduction in Accrued income and other taxes and the recognition of a $94 million tax benefit.

For the nine months ended September 30, 2011, the difference between the Company's recorded benefit and the benefit that would result from applying the U.S. statutory rate of 35.0% is primarily attributable to: (1) 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, (2) a provision associated with the establishment of a deferred tax asset valuation allowance outside the U.S., (3) a provision associated with legislative tax rate changes in a jurisdiction outside the U.S., (4) a provision related to withholding taxes on undistributed earnings, (5) a benefit associated with the release of a deferred tax asset valuation allowance in a certain jurisdiction outside the U.S., (6) a benefit as a result of the Company reaching a settlement with a taxing authority in a location outside the U.S., (7) tax accounting impacts related to items reported in Accumulated other comprehensive loss, and (8) changes in audit reserves and settlements.

During the nine months ended September 30, 2011, the Company agreed to terms with the U.S. Internal Revenue Service and settled federal audits for calendar years 2001 through 2005. For these years, the Company originally recorded federal and related state liabilities for UTP totaling $115 million (plus interest of approximately $25 million). The settlement resulted in a reduction in Accrued income and other taxes (including the UTP previously noted) of $296 million, the recognition of a $50 million tax benefit, and a reduction in net deferred tax assets of $246 million. The Company will receive a net federal refund of approximately $2 million and estimates that it will pay $23 million to satisfy state obligations as amended state returns are filed.

During the nine months ended September 30, 2011, the Company determined that it was more likely than not that a portion of the deferred tax assets outside the U.S. would not be realized and accordingly, recorded a tax provision of $22 million associated with the establishment of a valuation allowance on those deferred tax assets.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Environmental

The Company’s undiscounted accrued liabilities for future environmental investigation, remediation, and monitoring costs are composed of the following items:

| | As of | |
|---|---|---|
| (in millions) | September 30, 2012 | December 31, 2011 |
| Eastman Business Park site, Rochester, NY | $ 49 | $ 49 |
| Other current operating sites | 8 | 9 |
| Sites associated with former operations | 17 | 19 |
| Sites associated with the non-imaging health businesses sold in 1994 | 17 | 18 |
| Total | $ 91 | $ 95 |

These amounts are reported in Other long-term liabilities as of December 31, 2011 and Other long-term liabilities and Liabilities subject to compromise as of September 30, 2012 in the accompanying Consolidated Statement of Financial Position.

Cash expenditures for the aforementioned investigation, remediation and monitoring activities are expected to be incurred over the next thirty years for most of the sites. For these known environmental liabilities, the accrual reflects the Company’s best estimate of the amount it will incur under the agreed-upon or proposed work plans. The Company’s cost estimates were determined using the ASTM Standard E 2137-06, "Standard Guide for Estimating Monetary Costs and Liabilities for Environmental Matters," and have not been reduced by possible recoveries from third parties. The overall method includes the use of a probabilistic model which forecasts a range of cost estimates and a single most probable cost estimate for the remediation required at individual sites. For the purposes of establishing Company-level environmental reserves, the single most probable cost estimate for each site is used. All projects are closely monitored and the models are reviewed as significant events occur or at least once per year. The Company’s estimate includes investigations, equipment and operating costs for remediation and long-term monitoring of the sites. Accrued liabilities of Debtor entities related to sites no longer owned by the Company have been classified as liabilities subject to compromise.

Liabilities subject to compromise are reported at the Company's current estimate, where an estimate is determinable, of the allowed claim amount.

The Company is presently designated as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (the Superfund Law), or under similar state laws, for environmental assessment and cleanup costs as the result of the Company's alleged arrangements for disposal of hazardous substances at eight Superfund sites. In connection with the chapter 11 filing, the Company has provided withdrawal notifications or entered into settlement negotiations with involved regulatory agencies.

Among these matters is a case in which the Company and Sterling Drug were named by the U.S. Environmental Protection Agency (EPA) as a 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 the Company's ownership of Sterling Drug from 1988 to 1994 and retention of certain Sterling Drug liabilities and a defense and indemnification agreement between the Company and Bayer, which purchased all stock in Sterling Drug (now STWB). The Company and Sterling Drug were also named as third-party defendants (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 seeking recovery of all costs associated with the investigation, removal, cleanup and damage to natural resources resulting from the 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". The litigation against Kodak was stayed by the bankruptcy proceeding. Bayer and STWB have filed proofs of claim against the Debtors in this matter. Based on currently available information, the Company has been unable to reasonably estimate a range of loss pertaining to this matter at this time.

Estimates of the amount and timing of future costs of environmental remediation requirements are by their nature imprecise because of the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of presently unknown remediation sites and the allocation of costs among the PRPs. Based on information presently available, the Company does not believe it is reasonably possible that losses for known exposures or allowed claims could exceed current accruals by material amounts, although costs could be material to a particular quarter or year, with the possible exception of matters related to the Passaic River which is described above.

Other Commitments and Contingencies

As of September 30, 2012, the Company had outstanding letters of credit of $114 million issued under the DIP Credit Agreement, as well as bank guarantees and letters of credit of $12 million, surety bonds in the amount of $27 million, and cash and investments in trust of $33 million, primarily to ensure the payment of possible casualty and workers' compensation claims, environmental liabilities, legal contingencies, rental payments, and to support various customs, tax and trade activities. The restricted cash and investment in trust amounts are recorded within Other long-term assets in the Consolidated Statement of Financial Position.

In March 2012, the Company sold a property in Mexico for approximately $41 million and leased back the property for a one-year term. The pre-tax gain on the property sale of approximately $35 million was deferred and no gain was recognizable upon the closing of the sale as the Company has continuing involvement in the property for the remainder of the lease term. The deferred pre-tax gain is reported in Other current liabilities in the Consolidated Statement of Financial Position as of September 30, 2012.

The Company's Brazilian operations are involved in governmental assessments of indirect and other taxes in various stages of litigation, primarily related to federal and state value-added taxes. The Company is disputing these matters and intends to vigorously defend its position. Based on the opinion of legal counsel and current reserves already recorded for those matters deemed probable of loss, management does not believe that the ultimate resolution of these matters will materially impact the Company's results of operations or financial position.  The Company routinely assesses all these matters as to the probability of ultimately incurring a liability in its Brazilian operations and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable.  As of September 30, 2012, the unreserved portion of these contingencies, inclusive of any related interest and penalties, for which there was at least a reasonable possibility that a loss may be incurred, amounted to approximately $65 million.

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. The Company is also 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.

NOTE 11: GUARANTEES

The Company guarantees debt and other obligations of certain customers. The debt and other obligations are primarily due to banks and leasing companies in connection with financing of customers' purchases of equipment and product from the Company. At September 30, 2012, the maximum potential amount of future payments (undiscounted) that the Company could be required to make under these customer-related guarantees was $22 million. At September 30, 2012, the carrying amount of any liability related to these customer guarantees was not material.

The customer financing agreements and related guarantees, which mature on varying dates through 2016, typically have a term of 90 days for product and short-term equipment financing arrangements, and up to five years for long-term equipment financing arrangements. These guarantees would require payment from the Company only in the event of default on payment by the respective debtor. In some cases, particularly for guarantees related to equipment financing, the Company has collateral or recourse provisions to recover and sell the equipment to reduce any losses that might be incurred in connection with the guarantees. However, any proceeds received from the liquidation of these assets would not cover the maximum potential loss under these guarantees.

The Company also guarantees potential indebtedness to banks and other third parties for some of its consolidated subsidiaries. The maximum amount guaranteed is $101 million on a global basis, and the outstanding amount for those guarantees is $85 million with $38 million recorded within the Short-term borrowings and current portion of long-term debt, and Long-term debt, net of current portion in the accompanying Consolidated Statement of Financial Position. These guarantees expire in 2012 through 2019.

Pursuant to the terms of the Company's DIP Credit Agreement, obligations of the Borrowers to the Lenders under the DIP Credit Agreement, as well as secured agreements in an amount not to exceed $75 million, are guaranteed by the Company and the Company's U.S. subsidiaries and included in the above amounts. Secured agreements under the DIP Credit Agreement for the Debtors totaled $20 million as of September 30, 2012.

Warranty Costs

The Company has warranty obligations in connection with the sale of its products and equipment. The original warranty period is generally one year or less. The costs incurred to provide for these warranty obligations are estimated and recorded as an accrued liability at the time of sale. The Company estimates its warranty cost at the point of sale for a given product based on historical failure rates and related costs to repair.

The change in the Company's accrued warranty obligations balance, which is reflected in Other current liabilities in the accompanying Consolidated Statement of Financial Position, was as follows:

(in millions)

| | |
|---|---|
| Accrued warranty obligations as of December 31, 2011 | $46 |
| Actual warranty experience during 2012 | (58) |
| 2012 warranty provisions | 44 |
| Accrued warranty obligations as of September 30, 2012 | $32 |

The Company also offers its customers extended warranty arrangements that are generally one year, but may range from three months to three years after the original warranty period. The Company provides repair services and routine maintenance under these arrangements. The Company has not separated the extended warranty revenues and costs from the routine maintenance service revenues and costs, as it is not practicable to do so. Therefore, these revenues and costs have been aggregated in the discussion that follows. Costs incurred under these arrangements for the nine months ended September 30, 2012 amounted to $208 million. The change in the Company's deferred revenue balance in relation to these extended warranty and maintenance arrangements from December 31, 2011 to September 30, 2012, which is reflected in Other current liabilities in the accompanying Consolidated Statement of Financial Position, was as follows:

(in millions)

| | |
|---|---|
| Deferred revenue on extended warranties as of December 31, 2011 | $120 |
| New extended warranty and maintenance arrangements in 2012 | 296 |
| Recognition of extended warranty and maintenance arrangement revenue in 2012 | (297) |
| Deferred revenue on extended warranties as of September 30, 2012 | $119 |

NOTE 12: RESTRUCTURING LIABILITIES

Charges for restructuring activities are recorded in the period in which the Company commits to a formalized restructuring plan, or executes the specific actions contemplated by the plan, and all criteria for liability recognition under the applicable accounting guidance have been met. Restructuring actions taken in the first nine months of 2012 were initiated to reduce the Company’s cost structure as part of its commitment to drive sustainable profitability. Year to date actions included the winding down of sales of consumer inkjet printers, the digital capture and devices business exit, traditional product manufacturing capacity reductions in the U.S. and Mexico, workforce reductions triggered by the Kodak Gallery wind-down, consolidation of thermal media manufacturing in the U.S. and various targeted reductions in research and development, sales, service, and other administrative functions.

Restructuring Reserve Activity

The activity in the accrued balances and the non-cash charges and credits incurred in relation to restructuring activities for the three and nine months ended September 30, 2012 were as follows:

| (in millions) | Severance Reserve | Exit Costs Reserve | Long-lived Asset Impairments and Inventory Write-downs | Accelerated Depreciation | Total |
|---|---|---|---|---|---|
| Balance as of December 31, 2011 | $ 38 | $ 22 | $ - | $ - | 60 |
| Q1 2012 charges - continuing operations | 78 | 2 | - | 1 | 81 |
| Q1 2012 charges - discontinued operations | 14 | - | - | - | 14 |
| Q1 utilization/cash payments | (20 ) | (3 ) | | (1 ) | (24 ) |
| Q1 2012 other adjustments & reclasses (1) | (55 ) | (8 ) | - | - | (63 ) |
| Balance as of March 31, 2012 | $ 55 | $ 13 | $ - | $ - | $ 68 |
| Q2 2012 charges - continuing operations | $ 8 | $ 1 | $ 1 | $ 1 | $ 11 |
| Q2 2012 charges - discontinued operations | 5 | 1 | 4 | - | 10 |
| Q2 2012 utilization/cash payments | (24 ) | (3 ) | (5 ) | (1 ) | (33 ) |
| Q2 2012 other adjustments & reclasses (2) | (4 ) | 7 | - | - | 3 |
| Balance as of June 30, 2012 | $ 40 | $ 19 | $ - | $ - | $ 59 |
| Q3 2012 charges - continuing operations | $ 60 | $ 37 | $ 27 | $ 2 | $ 126 |
| Q3 2012 charges - discontinued operations | 1 | 1 | - | - | 2 |
| Q3 2012 utilization/cash payments | (13 ) | (2 ) | (27 ) | (2 ) | (44 ) |
| Q3 2012 other adjustments & reclasses (3) | (41 ) | - | - | - | (41 ) |
| Balance as of September 30, 2012 | $ 47 | $ 55 | $ - | $ - | $ 102 |

(1) The $(63) million includes $(54) million for severance-related charges for special termination benefits, which are reflected in Pension and other postretirement liabilities in the Consolidated Statement of Financial Position. The remaining $(9) million reflects amounts reclassified as Liabilities subject to compromise.

(2) The $3 million includes $(2) million for severance-related charges for special termination benefits, which are reflected in Pension and other postretirement liabilities in the Consolidated Statement of Financial Position, and $7 million of reserves reclassified from Liabilities subject to compromise. The remaining $(2) million reflects

foreign currency translation adjustments.

(3)The $(41) million includes $(42) million for severance-related charges for special termination benefits, which are reflected in Pension and other postretirement liabilities in the Consolidated Statement of Financial Position. The remaining $1 million reflects foreign currency translation adjustments.

For the three months ended September 30, 2012, the $128 million of charges include $2 million for accelerated depreciation and $7 million for inventory write-downs, which were reported in Cost of sales in the accompanying Consolidated Statement of Operations, and $2 million which was reported as discontinued operations. The remaining costs incurred of $117 million were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations for the three months ended September 30, 2012. The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments, accelerated depreciation and inventory write-downs represent non-cash items.

The third quarter 2012 severance costs related to the elimination of approximately 775 positions, including approximately 225 manufacturing/service positions, 450 administrative positions, and 100 research and development positions. The geographic composition of these positions includes approximately 650 in the United States and Canada, and 125 throughout the rest of the world.

The charges of $128 million recorded in the third quarter of 2012 included $74 million applicable to the Digital Printing and Enterprise Segment, $7 million applicable to the Graphics, Entertainment and Commercial Films Segment, $6 million applicable to the Personalized and Document Imaging Segment, and $39 million that was applicable to manufacturing, research and development, and administrative functions, which are shared across all segments. The remaining $2 million was applicable to discontinued operations.

For the nine months ended September 30, 2012, the $244 million of charges include $4 million of charges for accelerated depreciation and $8 million of charges for inventory write-downs, which were reported in Cost of sales in the accompanying Consolidated Statement of Operations, and $26 million which was reported as discontinued operations. The remaining costs incurred of $206 million were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations for the nine months ended September 30, 2012. The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments, accelerated depreciation and inventory write-downs represent non-cash items.

The severance costs for the nine months ended September 30, 2012 related to the elimination of approximately 2,825 positions, including approximately 1,600 manufacturing/service positions, 875 administrative positions, and 350 research and development positions. The geographic composition of these positions includes approximately 1,850 in the United States and Canada, and 975 throughout the rest of the world.

The charges of $244 million recorded in the first three quarters of 2012 included $89 million applicable to the Digital Printing and Enterprise Segment, $16 million applicable to the Graphics, Entertainment and Commercial Films Segment, $22 million applicable to the Personalized and Document Imaging Segment, and $91 million that was applicable to manufacturing, research and development, and administrative functions, which are shared across both segments. The remaining $26 million was applicable to discontinued operations.

As a result of these initiatives, the majority of the severance will be paid during periods through the first half of 2013 since, in some instances; the employees whose positions were eliminated can elect or are required to receive their payments over an extended period of time. In addition, certain exit costs, such as long-term lease payments, will be paid over periods throughout 2012 and beyond.

NOTE 13: RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

Components of the net periodic benefit cost for all major funded and unfunded U.S. and Non-U.S. defined benefit plans for the three and nine months ended September 30, 2012 and 2011 are as follows:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | 2012 | | 2011 | | 2012 | | 2011 | |
| | U.S. | Non-U.S. | U.S. | Non-U.S. | U.S. | Non-U.S. | U.S. | Non-U.S. |
| Major defined benefit plans: | | | | | | | | |
| Service cost | $ 12 | $ 2 | $ 13 | $ 4 | $ 36 | $ 8 | $ 38 | $ 12 |
| Interest cost | 51 | 38 | 63 | 46 | 155 | 116 | 190 | 137 |
| Expected return on plan assets | (97 ) | (39 ) | (109 ) | (54 ) | (292 ) | (123 ) | (327 ) | (159 ) |
| Amortization of: | | | | | | - | | |
| Recognized prior service cost | 1 | 1 | - | 1 | 1 | 2 | 1 | 3 |
| Recognized net actuarial loss | 43 | 17 | 18 | 13 | 130 | 50 | 52 | 39 |
| Pension expense (income) before special termination benefits, curtailments, and settlements | 10 | 19 | (15 ) | 10 | 30 | 53 | (46 ) | 32 |
| Special termination benefits | 42 | - | 2 | - | 98 | - | 19 | 1 |
| Curtailment loss (gain) | - | (1 ) | - | - | - | (1 ) | - | - |
| Settlement loss | - | 1 | - | 10 | - | 2 | - | 10 |
| Net pension expense (income) | 52 | 19 | (13 ) | 20 | 128 | 54 | (27 ) | 43 |
| Other plans including unfunded plans | - | 3 | - | 3 | - | 9 | - | 9 |
| Total net pension expense (income) from continuing operations | $ 52 | $ 22 | $ (13 ) | $ 23 | $ 128 | $ 63 | $ (27 ) | $ 52 |

For the three months ended September 30, 2012 and 2011, $42 million and $2 million, respectively, of special termination benefits charges were incurred as a result of the Company's restructuring actions.  For the nine months ended September 30, 2012 and 2011, $98 million and $20 million, respectively, of special termination benefits charges were incurred as a result of the Company's restructuring actions.  These charges have been included in Restructuring costs and other in the Consolidated Statement of Operations.

The Company made contributions (funded plans) or paid benefits (unfunded plans) totaling approximately $24 million relating to its major U.S. and non-U.S. defined benefit pension plans for the nine months ended September 30, 2012.  If Kodak Limited’s 2012 contribution to the Kodak Pension Plan is not considered as a part of the overall resolution of the claims of the Trustee of the Kodak Pension Plan and Kodak Limited, and is instead paid during 2012, the Company forecasts its contribution (funded plans) and benefit payment (unfunded plans) requirements for its major U.S. and non-U.S. defined benefit pension plans for the balance of 2012 to be approximately $82 million.  See Eastman Kodak Company Guarantee in Note 2, “Chapter 11 Filing,” for further discussion of the 2012 contribution to the Kodak Pension Plan.

Postretirement benefit costs for the Company's U.S. and Canada postretirement benefit plans, which represent the Company's major postretirement plans, include:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2012 | 2011 | 2012 | 2011 |
| Service cost | $ 1 | $ - | $ 1 | $ 1 |
| Interest cost | 13 | 16 | 39 | 49 |
| Amortization of: | | | | |
| Prior service credit | (20 ) | (20 ) | (58 ) | (59 ) |
| Recognized net actuarial loss | 8 | 8 | 23 | 24 |
| Total net postretirement benefit expense | $ 2 | $ 4 | $ 5 | $ 15 |

The Company paid benefits totaling approximately $88 million relating to its U.S. and Canada postretirement benefit plans for the nine months ended September 30, 2012.  The Company expects to pay benefits of approximately $27 million for these postretirement plans for the remainder of 2012.

NOTE 14: OTHER OPERATING (INCOME) EXPENSES, NET

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2012 | 2011 | 2012 | 2011 |
| (Income) expenses: | | | | |
| Gain on sale of certain image sensor patents | - | - | - | (62) |
| Goodwill impairment | - | 8 | - | 8 |
| Other | (4) | 4 | (4) | (5) |
| Total | $ (4) | $ 12 | $ (4) | $ (59) |

NOTE 15: EARNINGS PER SHARE

Basic earnings per share computations are based on the weighted-average number of shares of common stock outstanding during the year. As a result of the net loss from continuing operations presented for the three and nine months ended September 30, 2012, respectively, the Company calculated diluted earnings per share using weighted-average basic shares outstanding for those periods, as utilizing diluted shares would be anti-dilutive to loss per share. Weighted-average basic shares outstanding for the three and nine months ended September 30, 2012 were 271.9 million and 271.6 million, respectively.

If the Company had reported earnings from continuing operations for the quarter ended September 30, 2012, no additional shares of the Company’s common stock from unvested share-based awards would have been included in the computation of diluted earnings per share since they were all anti-dilutive. Potential shares of the Company’s common stock related to the assumed conversion of (1) approximately 11.0 million outstanding employee stock options, (2) approximately 40.0 million outstanding detachable warrants to purchase common shares, and (3) approximately $400 million of convertible senior notes due 2017 would still have been excluded from the computation of diluted earnings per share, as these securities were anti-dilutive.

Basic earnings per share computations are based on the weighted-average number of shares of common stock outstanding during the year. As a result of the net loss from continuing operations presented for the three and nine months ended September 30, 2011, respectively, the Company calculated diluted earnings per share using weighted-average basic shares outstanding for those periods, as utilizing diluted shares would be anti-dilutive to loss per share. Weighted-average basic shares outstanding for the three and nine months ended September 30, 2011 were 268.9 million.

If the Company had reported earnings from continuing operations for the quarter ended September 30, 2011, approximately 3.6 million potential shares of the Company’s common stock from unvested share-based awards would have been included in the computation of diluted earnings per share. However, potential shares of the Company’s common stock related to the assumed conversion of (1) approximately 17.3 million outstanding employee stock options, (2) approximately 40.0 million outstanding detachable warrants to purchase common shares, and (3) approximately $313 million of convertible senior notes due 2017 would still have been excluded from the computation of diluted earnings per share, as these securities were anti-dilutive.

NOTE 16: SHAREHOLDERS' EQUITY

The Company has 950 million shares of authorized common stock with a par value of $2.50 per share, of which 391 million shares had been issued as of September 30, 2012 and December 31, 2011. Treasury stock at cost consisted of approximately 119 million and 120 million shares as of September 30, 2012 and December 31, 2011, respectively.

NOTE 17: SEGMENT INFORMATION

Current Segment Reporting Structure

Effective September 30, 2012, the Company has three reportable segments: the Graphics, Entertainment and Commercial Films Segment, the Digital Printing and Enterprise Segment, and the Personalized and Document Imaging Segment. Prior period segment results have been revised to conform to the current period segment reporting structure. A description of the new reportable segments follows.

Graphics, Entertainment and Commercial Films Segment: The Graphics, Entertainment and Commercial Films Segment encompasses Entertainment Imaging & Commercial Films, and Graphics.

Digital Printing and Enterprise Segment: The Digital Printing and Enterprise Segment encompasses Digital Printing, Packaging and Functional Printing, Enterprise Services & Solutions, and Consumer Inkjet Systems. On September 28, 2012, the Company announced a plan, starting in 2013, to focus its Consumer Inkjet business solely on the sale of ink to its installed printer base.

Personalized and Document Imaging Segment: The Personalized and Document Imaging Segment encompasses the Company's Intellectual Property licensing activities related to digital imaging products, as well as Personalized Imaging and Document Imaging.

Segment financial information is shown below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2012 | 2011 | 2012 | 2011 |
| Net sales from continuing operations: | | | | |
| Graphics, Entertainment & Commercial Films | $ 406 | $ 548 | $ 1,294 | $ 1,660 |
| Digital Printing and Enterprise | 230 | 267 | 671 | 764 |
| Personalized and Document Imaging | 382 | 446 | 1,029 | 1,253 |
| Consolidated total | $ 1,018 | $ 1,261 | $ 2,994 | $ 3,677 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2012 | 2011 | 2012 | 2011 |
| (Loss) earnings from continuing operations before interest expense, other income (charges), net, reorganization items, net, and income taxes: | | | | |
| Graphics, Entertainment and Commercial Films | $ (4 ) | $ (2 ) | $ (22 ) | $ (23 ) |
| Digital Printing and Enterprise | (43 ) | (137 ) | (171 ) | (419 ) |

| | | | | |
|---|---|---|---|---|
| Personalized and Document Imaging | 10 | 15 | (57 ) | (24 ) |
| Total of reportable segments | (37 ) | (124 ) | (250 ) | (466 ) |
| Restructuring costs and other | (126 ) | (18 ) | (218 ) | (86 ) |
| Corporate components of pension and OPEB expense | (34 ) | (13 ) | (100 ) | (25 ) |
| Other operating income (expenses), net | 4 | (12 ) | 5 | 59 |
| Legal contingencies, settlements and other | - | - | (1 ) | - |
| Loss on early extinguishment of debt, net | - | - | (7 ) | - |
| Interest expense | (41 ) | (41 ) | (117 ) | (116 ) |
| Other income (charges), net | 6 | (7 ) | 5 | 1 |
| Reorganization items, net | (56 ) | - | (304 ) | - |
| Consolidated loss from continuing operations before income taxes | $ (284 ) | $ (215 ) | $ (987 ) | $ (633 ) |

| (in millions) | As of September 30, 2012 | As of December 31, 2011 |
|---|---|---|
| Segment total assets: | | |
| Graphics, Entertainment and Commercial Films | $ 1,236 | $ 1,451 |
| Digital Printing and Enterprise | 547 | 552 |
| Personalized and Document Imaging | 1,024 | 1,298 |
| Total of reportable segments | 2,807 | 3,301 |
| Cash and marketable securities | 1,135 | 867 |
| Deferred income tax assets | 461 | 510 |
| Consolidated total assets | $ 4,403 | $ 4,678 |

NOTE 18: FINANCIAL INSTRUMENTS

The following table presents the carrying amounts, estimated fair values, and location in the Consolidated Statement of Financial Position for the Company's financial instruments:

| (in millions) | | | Value Of Items Recorded At Fair Value As of September 30, 2012 | | | |
|---|---|---|---|---|---|---|
| | | | Total | Level 1 | Level 2 | Level 3 |
| ASSETS | | | | | | |
| Marketable securities | | | | | | |
| Short-term available-for-sale | Other current assets | | $ 2 | $ 2 | $ - | $ - |
| Long-term available-for-sale | Other long-term assets | | 8 | 8 | - | - |
| Derivatives | | | | | | |
| Short-term foreign exchange contracts | Receivables, net | | 1 | - | 1 | - |

| | | | Value Of Items Not Recorded At Fair Value As of September 30, 2012 | | | |
|---|---|---|---|---|---|---|
| | | | Total | Level 1 | Level 2 | Level 3 |
| ASSETS | | | | | | |
| Marketable securities | | | | | | |
| Long-term held-to-maturity | Other long-term assets | Carrying value | $ 23 | $ 23 | $ - | $ - |
| | | Fair value | 23 | 23 | - | - |
| LIABILITIES | | | | | | |
| Debt | | | | | | |
| Short-term debt | Short-term borrowings and current portion of long-term debt | Carrying value | 40 | - | 40 | - |
| | | Fair value | 23 | - | 23 | - |
| Long-term debt | Long-term debt, net of current portion | Carrying value | 1,400 | - | 1,400 | - |
| | | Fair value | 1,136 | - | 1,136 | - |
| | | | 683 | - | 683 | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Debt subject to compromise | Liabilities subject to compromise | Carrying value | | | | |
| | | Fair value | 80 | - | 80 | - |

The Company does not utilize financial instruments for trading or other speculative purposes.

Fair Value

The fair values of marketable securities are determined using quoted prices in active markets for identical assets (Level 1 fair value measurements). Fair values of the Company's forward contracts are determined using other observable inputs (Level 2 fair value measurements), and are based on the present value of expected future cash flows (an income approach valuation technique) considering the risks involved and using discount rates appropriate for the duration of the contracts. Transfers between levels of the fair value hierarchy are recognized based on the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during the three and nine months ended September 30, 2012.

Fair values of long-term borrowings are determined by reference to quoted market prices, if available, or by pricing models based on the value of related cash flows discounted at current market interest rates. The carrying values of cash and cash equivalents and trade receivables (which are not shown in the table above) approximate their fair values.

Foreign Exchange

Foreign exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved are included in Other income (charges), net in the accompanying Consolidated Statement of Operations. The net effects of foreign currency transactions, including changes in the fair value of foreign exchange contracts, are shown below:

| (in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net (Loss) gain | $ (2 ) | $ (7 ) | $ (15 ) | $ - |

Derivative Financial Instruments

The Company, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates, commodity prices, and interest rates, which may adversely affect its results of operations and financial position. The Company manages such exposures, in part, with derivative financial instruments.

Foreign currency forward contracts are used to mitigate currency risk related to foreign currency denominated assets and liabilities, especially those of the Company's International Treasury Center. Silver forward contracts are used to mitigate the Company's risk to fluctuating silver prices. The Company's exposure to changes in interest rates results from its investing and borrowing activities used to meet its liquidity needs.

The Company's financial instrument counterparties are high-quality investment or commercial banks with significant experience with such instruments. The Company manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. The Company has procedures to monitor the credit exposure amounts. The maximum credit exposure at September 30, 2012 was not significant to the Company.

In the event of a default under the Company's DIP Credit Agreement, or one of the Company's Indentures, or a default under any derivative contract or similar obligation of the Company, subject to certain minimum thresholds, the derivative counterparties would have the right, although not the obligation, to require immediate settlement of some or all open derivative contracts at their then-current fair value, but with liability positions netted against asset positions with the same counterparty. At September 30, 2012, the Company had open derivative contracts in liability positions with a total fair value of less than $1 million.

The location and amounts of pre-tax gains and losses related to derivatives reported in the Consolidated Statement of Operations are shown in the following tables:

| Derivatives in Cash Flow Hedging Relationships | Gain (Loss) Recognized in OCI on Derivative (Effective Portion) | | Gain (Loss) Reclassified from Accumulated OCI Into Cost of Sales (Effective Portion) | | Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) | |
|---|---|---|---|---|---|---|
| (in millions) | For the three months ended September 30, | | For the three months ended September 30, | | For the three months ended September 30, | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Commodity contracts | $ - | $ (4) | $ (1) | $ 5 | $ - | $ - |
| | For the nine months ended September 30, | | For the nine months ended September 30, | | For the nine months ended September 30, | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Commodity contracts | $ 1 | $ 5 | $ (6) | $ 12 | $ - | $ - |

| Derivatives Not Designated as Hedging Instruments | Location of Gain or (Loss) Recognized in Income on Derivative | Gain (Loss) Recognized in Income on Derivative | | | |
|---|---|---|---|---|---|
| (in millions) | | For the three months ended September 30, | | For the nine months ended September 30, | |
| | | 2012 | 2011 | 2012 | 2011 |
| Foreign exchange contracts | Other income (charges), net | $ 6 | $ (6) | $ 2 | $ 4 |

Foreign Currency Forward Contracts

The Company’s foreign currency forward contracts used to mitigate currency risk related to existing foreign currency denominated assets and liabilities are not designated as hedges, and are marked to market through net (loss) earnings at the same time that the exposed assets and liabilities are remeasured through net (loss) earnings (both in Other income (charges), net in the Consolidated Statement of Operations). The notional amount of such contracts open at September 30, 2012 was approximately $642 million. The majority of the contracts of this type held by the Company are denominated in euros and Swiss francs.

Silver Forward Contracts

The Company may enter into silver forward contracts that are designated as cash flow hedges of commodity price risk related to forecasted purchases of silver. The Company had no open hedges as of September 30, 2012.

In January 2012, the Company terminated all its existing hedges at a loss of $5 million. These hedges were designated as secured agreements under the Second Amended and Restated Credit Agreement and needed to be settled prior to the termination of that facility in conjunction with the Company’s DIP Credit Agreement. Hedge gains and losses related to these silver forward contracts are reclassified into Cost of sales in the Consolidated Statement of

Operations as the related silver containing products are sold to third parties. These gains or losses transferred to Cost of sales are generally offset by increased or decreased costs of silver purchased in the open market. At September 30, 2012, there were no existing gains or losses to be reclassified to Cost of sales within the next twelve months.

NOTE 19: DISCONTINUED OPERATIONS

Discontinued operations of the Company include the digital capture and devices business, Kodak Gallery, and other miscellaneous businesses.

The significant components of revenues, earnings (loss) from discontinued operations, net of income taxes, and gain on sale are as follows:

| (in millions) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| Revenues from Digital Capture and Devices operations | $ 2 | $ 149 | $ 35 | $ 429 |
| Revenues from Kodak Gallery operations | 2 | 17 | 29 | 51 |
| Revenues from other discontinued operations | - | 35 | 5 | 112 |
| Total revenues from discontinued operations | $ 4 | $ 201 | $ 69 | $ 592 |
| | | | | |
| Pre-tax loss from Digital Capture and Devices operations | $ (6 ) | $ (4 ) | $ (77 ) | $ (51 ) |
| Pre-tax income (loss) from Kodak Gallery operations | 3 | (8 ) | 6 | (31 ) |
| Pre-tax income (loss) from other discontinued operations | - | 5 | (5 ) | 23 |
| Provision (benefit) for income taxes related to discontinued operations | 1 | 1 | (2 ) | (2 ) |
| Loss from discontinued operations, net of income taxes | $ (4 ) | $ (8 ) | $ (74 ) | $ (57 ) |

NOTE 20: CONDENSED COMBINED DEBTOR-IN-POSSESSION FINANCIAL INFORMATION

The financial statements below represent the condensed combined financial statements of the Debtors. Effective January 1, 2012, the Company's Non-Filing Entities are accounted for as non-consolidated subsidiaries in these financial statements and, as such, their net loss is included as "Equity in loss of non-filing entities, net of tax" in the Debtors' Statement of Operations and their net assets are included as "Investment in non-filing entities" in the Debtors' Statement of Financial Position.

Intercompany transactions among the Debtors have been eliminated in the financial statements contained herein. Intercompany transactions among the Debtors and the Non-Filing Entities have not been eliminated in the Debtors' financial statements.

DEBTORS' STATEMENT OF OPERATIONS

| (in millions) | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2012 |
|---|---|---|
| Net sales | | |
| Products | $ 400 | $ 1,168 |
| Services | 88 | 270 |
| Licensing & royalties | 3 | (53) |
| Total net sales | $ 491 | $ 1,385 |
| Cost of sales | | |
| Products | $ 402 | $ 1,216 |
| Services | 73 | 233 |
| Total cost of sales | $ 475 | $ 1,449 |
| Gross profit | $ 16 | $ (64) |
| Selling, general and administrative expenses | 100 | 306 |
| Research and development costs | 36 | 127 |
| Restructuring costs and other | 89 | 154 |
| Other operating (income) expenses, net | (3) | (4) |
| Loss from continuing operations before interest expense, other income (charges), net, reorganization items, net and income taxes | (206) | (647) |
| Interest expense (contractual interest for the three and nine months ended September 30, 2012 of $48 and $144, respectively) | 37 | 110 |
| Loss on early extinguishment of debt, net | - | 7 |
| Other income (charges), net | - | - |
| Reorganization items, net | 56 | 304 |
| Loss from continuing operations before income taxes | (299) | (1,068) |
| Benefit for income taxes | (7) | (153) |
| Loss from continuing operations | (292) | (915) |
| Loss from discontinued operations, net of income taxes | (2) | (45) |
| NET LOSS ATTRIBUTABLE TO DEBTOR ENTITIES | (294) | (960) |
| Equity in loss of non-filing entities, net of tax | (18) | (17) |
| NET LOSS ATTRIBUTABLE TO EASTMAN KODAK COMPANY | $ (312) | $ (977) |

DEBTORS' STATEMENT OF COMPREHENSIVE (LOSS) INCOME

| (in millions) | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2012 |
|---|---|---|
| NET LOSS ATTRIBUTABLE TO DEBTOR ENTITIES | $ (294 ) | $ (960 ) |
| Other comprehensive income (loss), net of tax: | | |
| Realized and unrealized gains from hedging activity, net of tax of $0 and $2 for the three and nine months ended September 30, 2012, respectively | - | 4 |
| Unrealized gain from investment, net of tax of $0 for the three and nine months ended September 30, 2012 | 1 | 1 |
| Currency translation adjustments | (1 ) | 2 |
| Pension and other postretirement benefit plan obligation activity, net of tax of $0 for the three and nine months ended September 30, 2012 | 20 | 60 |
| Total comprehensive loss, net of tax | $ (274 ) | $ (893 ) |

DEBTORS' STATEMENT OF RETAINED EARNINGS

| (in millions) | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2012 |
|---|---|---|
| Retained earnings at beginning of period | $ 4,180 | $ 4,905 |
| Net loss attributable to Eastman Kodak Company | (312 ) | (977 ) |
| Loss from issuance of treasury stock | (19 ) | (79 ) |
| Retained earnings at end of period | $ 3,849 | $ 3,849 |

DEBTORS' STATEMENT OF FINANCIAL POSITION

(in millions)

| ASSETS | As of September 30, 2012 |
|---|---|
| Current Assets | |
| Cash and cash equivalents | $ 314 |
| Receivables, net | 227 |
| Receivables and advances from non-filing entities, net | 234 |
| Inventories, net | 319 |
| Deferred income taxes | 11 |
| Other current assets | 30 |
| Total current assets | 1,135 |
| Property, plant and equipment, net of accumulated depreciation of $3,325 | 461 |
| Goodwill | 144 |
| Investment in non-filing entities | 1,991 |
| Other long-term assets | 49 |
| TOTAL ASSETS | $ 3,780 |
| LIABILITIES AND EQUITY (DEFICIT) | |
| Current Liabilities | |
| Accounts payable, trade | $ 170 |
| Accrued income and other taxes | 10 |
| Other current liabilities | 426 |
| Total current liabilities | 606 |
| Long-term debt, net of current portion | 1,399 |
| Other long-term liabilities | 251 |
| Liabilities subject to compromise | 3,140 |
| | |
| Total Liabilities | 5,396 |
| | |
| Equity (Deficit) | |
| Common stock, $2.50 par value | 978 |
| Additional paid in capital | 1,106 |
| Retained earnings | 3,849 |
| Accumulated other comprehensive loss | (1,789 ) |
| | 4,144 |
| Less: Treasury stock, at cost | (5,760 ) |
| Total Eastman Kodak Company shareholders' (deficit) equity | (1,616 ) |
| Noncontrolling interests | - |
| Total (deficit) equity | (1,616 ) |
| | |
| TOTAL LIABILITIES AND DEFICIT | $ 3,780 |

DEBTORS' STATEMENT OF CASH FLOWS

| (in millions) | Nine Months Ended September 30, 2012 |
|---|---|
| Cash flows from operating activities: | |
| Net loss attributable to debtor entities | $ (960) |
| Adjustments to reconcile to net cash used in operating activities: | |
| Loss from discontinued operations, net of income taxes | 45 |
| Depreciation and amortization | 118 |
| Gain on sales of businesses/assets | (1) |
| Loss on early extinguishment of debt | 7 |
| Non-cash restructuring costs, asset impairments and other charges | 16 |
| Non-cash and financing related reorganization items, net | 213 |
| Provision for deferred income taxes | 5 |
| Increase in receivables | (17) |
| Increase in inventories | (37) |
| Increase in liabilities excluding borrowings | 119 |
| Other items, net | 58 |
| Total adjustments | 526 |
| Net cash used in continuing operations | (434) |
| Net cash provided by discontinued operations | 30 |
| Net cash used in operating activities | (404) |
| Cash flows from investing activities: | |
| Additions to properties | (21) |
| Proceeds from sales of businesses/assets | 9 |
| Marketable securities - sales | 78 |
| Marketable securities - purchases | (72) |
| Net cash used in continuing operations | (6) |
| Net cash provided by discontinued operations | 27 |
| Net cash provided by investing activities | 21 |
| Cash flows from financing activities: | |
| Net decrease in borrowings with maturities of 90 days or less | |
| Proceeds from DIP credit agreement | 686 |
| Repayment of borrowings | (133) |
| Reorganization items | (40) |
| Net cash provided by financing activities | 513 |
| Net increase in cash and cash equivalents | 130 |
| Cash and cash equivalents, beginning of period | 184 |
| Cash and cash equivalents, end of period | $ 314 |

The following table reflects pre-petition liabilities that are subject to compromise for the Debtors:

As of

| (in millions) | | September 30, 2012 |
|---|---|---|
| Accounts payable | $ | 286 |
| Debt | | 683 |
| Pension and postretirement obligations | | 1,722 |
| Payable and advances to non-filing entities | | 193 |
| Other liabilities subject to compromise | | 256 |
| Liabilities subject to compromise | $ | 3,140 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

On January 19, 2012 (the “Petition Date”), Eastman Kodak Company and its U.S. subsidiaries (collectively, 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 increase liquidity in the U.S. and abroad, monetize non-strategic intellectual property and businesses, 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.

The Company is focusing its reorganization plan on its commercial imaging businesses; commercial, packaging, and functional printing solutions and enterprise services.

The Company exited its digital capture and devices business, including digital cameras, pocket video cameras, and digital picture frames and sold certain assets of its Kodak Gallery business. Both businesses ceased operations in the third quarter of 2012. Additionally, the Company has announced its decision to initiate sale processes for its Personalized Imaging and Document Imaging businesses. The Company has also announced a plan, starting in 2013, to focus its Consumer Inkjet business solely on the sale of ink to its installed printer base.

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 the Company’s 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 1.

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 and Useful Lives 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.

As a result of the change in segments that became effective as of September 30, 2012, the Company's reporting units changed. The Personalized and Document Imaging segment has three reporting units: Personalized Imaging, Document Imaging and Intellectual Property. The Graphics, Entertainment and Commercial Films segment has two reporting units: Graphics and Entertainment Imaging and Commercial Films. The Digital Printing and Enterprise Segment has four reporting units: Digital Printing, Packaging and Functional Printing, Enterprise Services and Solutions, and Consumer Inkjet Systems.

Prior to the September 30, 2012 change in reporting units, the only reporting units with goodwill remaining were the Consumer Digital Imaging Group ("CDG") and the Business Services and Solutions Group ("BSSG"). Consumer Inkjet Systems which was part of the CDG reporting unit was transferred to the Digital Printing and Enterprise segment. Personalized Imaging and Intellectual Property, which were part of the CDG reporting unit, are now included in the Personalized and Document Imaging Segment. Document Imaging, which was part of the BSSG reporting unit, was transferred to the Personalized and Document Imaging segment. Workflow software which was part of BSSG was transferred to the Graphics, Entertainment and Commercial Films segment. Enterprise Services and Solutions which was part of BSSG is included in the Digital Printing and Enterprise Segment. Goodwill was reassigned to affected reporting units using a relative fair value allocation.

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 fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. Quoted market prices in active markets are the best evidence of fair value, however the market price of an individual equity security may not be representative of the fair value of the reporting unit as a whole and, therefore need not be the sole measurement basis of the fair value of a reporting unit.

The Company estimates the fair value of its reporting units using an income approach and a market approach. To estimate fair value utilizing the market approach, the Company applies valuation multiples, derived from the operating data of publicly-traded benchmark companies, to the same operating data of the reporting units. The valuation multiples are based on a combination of the last twelve months ("LTM") financial measures of revenue, earnings before interest, taxes, depreciation and amortization ("EBITDA") and earnings before interest and taxes ("EBIT").

Prior to 2011, the use of each of the income and market approaches provided corroboration for each other and the Company believed each methodology provided equally valuable information. For the 2011 annual goodwill test, the market approach was not utilized because reporting unit LTM EBIT and EBITDA results were negative, which would have only allowed the application of a revenue multiple in determining fair value under the market approach, and/or reporting units ranked below all the selected market participants for these financial measures.  When using the market approach, multiples should be derived from companies that exhibit a high degree of comparability to the business being valued.

For the 2012 annual goodwill test, due to LTM EBIT and EBITDA results being negative for all reporting units except for Document Imaging, Entertainment and Commercial Films and the Graphics reporting units, the Company did not utilize the market approach.  The Company ultimately gave 100% weighting to the income approach for the Entertainment and Commercial Films and Graphics reporting units due to the declining projections for these reporting units. The Company determined fair value of the Document Imagining reporting unit using 50% weighting of the income and market 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.  The discount rates are estimated based on an after-tax weighted average cost of capital (“WACC”) for each reporting unit reflecting the rate of return that would be expected by a market participant.  The WACC also takes into consideration a company specific risk premium for each reporting unit reflecting the risk associated with the overall uncertainty of the financial projections.  Key assumptions used in the income approach for the September 30, 2012 goodwill impairment tests, except for the Intellectual Property reporting unit, were: (a) expected cash flows for the period from October 1, 2012 to December 31, 2019; and (b) discount rates of 22% to 28%, which were based on the Company’s best estimates of the after-tax weighted-average cost of capital of each reporting unit.

A terminal value is included for all reporting units, except for the Intellectual Property and Consumer Inkjet Systems reporting units, at the end of the cash flow projection period to reflect the remaining value that the reporting unit is expected to generate.  The terminal value is calculated using the constant growth method (“CGM”) based on the cash flows of the final year of the discrete period.  If significant growth is projected in the final year of the cash flow projection period, then the CGM is not applied to that year.  Rather, the projection period is extended until the growth in the final year approaches a sustainable level.  The expected cash flow forecasts for Digital Printing, Packaging and Functional Printing, and Enterprise Services and Solutions were extended by two years due to the rate of growth in the projections toward the end of the projection period.  For all other reporting units, the number of periods utilized in the cash flow model for the 2012 goodwill impairment test was the same as the number used in the 2011 goodwill valuation (5+ years).

The Intellectual Property reporting unit includes licensing activities related to the Company’s intellectual property (“IP”) in digital imaging products and branded licensed products. In August 2012, the Bankruptcy Court approved the Company’s motion of bidding procedures to auction its digital imaging patent portfolios.  In September 2012, the Company filed a motion with the Bankruptcy Court to adjourn the sale of its digital imaging patent portfolios until further notice. The Company continues to explore strategic alternatives while the auction process continues, including licensing transactions, or retaining the patent portfolio and creating a newly formed licensing company as a source of recovery for creditors in the plan of reorganization. In order to estimate the fair value of the Intellectual Property reporting unit, the Company developed estimates of future cash flows both assuming a sale of the digital imaging patent portfolios (the “IP-Sale Scenario”) and assuming no sale of the digital imaging patent portfolios but the continuation of the patent licensing program over the remaining life of the patent portfolio as a newly formed licensing company (the “No-IP Sale Scenario”).  For purposes of the goodwill valuation, the IP-Sale Scenario and the No-IP Sale Scenario were weighted equally in estimating the fair value of the Intellectual Property reporting unit.  A discount rate of 45% was utilized to discount the estimated future cash flows to present value.

On September 28, 2012, the Company announced a plan, starting in 2013, to focus its Consumer Inkjet business solely on the sale of ink to its installed printer. For purposes of the goodwill valuation, the Company did not include a terminal value at the end of the cash flow projection period.

Based upon the results of the Company’s September 30, 2012 analysis, no impairment of goodwill was indicated.

Cash flows related to the Intellectual Property reporting unit could significantly change and materially impact the fair value of this reporting unit. In addition, the Company announced in August 2012, its decision to initiate sale processes for its Personalized Imaging and Document Imaging businesses. The cash flows related to these reporting units could significantly change and materially impact the fair value of these reporting units depending on the sale process or other factors. Total goodwill assigned to the Personalized and Document Imaging segment approximated $261 million as of September 30, 2012.

A 20 percent change in estimated future cash flows or a 10 percentage point change in discount rate in the remaining reporting units would not have caused material goodwill impairment charges to be recognized by the Company as of September 30, 2012. 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.

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.

In 2005, the Company shortened the useful lives of certain production machinery and equipment in the traditional film and paper businesses as a result of the anticipated acceleration of the decline in those businesses at that time. The result of that change was that the related production machinery and equipment was scheduled to be fully depreciated by mid-2010 for the traditional film and paper businesses. In 2008, and again in 2011, with the benefit of additional experience in the secular decline in these product groups, the Company assessed that overall film and paper demand had declined but at a slower rate than anticipated in previous analyses. Therefore, with respect to production machinery and equipment and buildings in film and paper manufacturing locations that were expected to continue production beyond the previously estimated useful life, the Company extended the useful lives.

The Company depreciates the cost of property, plant, and equipment over its expected useful life in such a way as to allocate it as equitably as possible to the periods during which services are obtained from their use, which aims to distribute the cost over the estimated useful life of the unit in a systematic and rational manner. An estimate of useful life not only considers the economic life of the asset, but also the remaining life of the asset to the entity. Because the film and paper businesses are experiencing industry related volume declines, changes in the estimated useful lives of production equipment for those businesses have been related to estimated industry demand, in addition to production capacity of the particular property.

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 September 30, 2012, the Company has net deferred tax assets before valuation allowances of approximately $3.4 billion and a valuation allowance related to those net deferred tax assets of approximately $3.0 billion, resulting in net deferred tax assets of approximately $0.4 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. The Company considers both positive and negative evidence, in determining whether a valuation allowance is needed by territory, including, but not limited to, whether particular entities are in three year cumulative income positions.  During 2011 and the nine months ended September 30, 2012, the Company determined that it was more likely than not that a portion of the deferred tax assets outside the U.S. would not be realized due to reduced manufacturing volumes negatively impacting profitability in a location outside the U.S. and accordingly, recorded provisions of $53 and $20 million, respectively, associated with the establishment of a valuation allowances 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.

Asset and liability modeling studies are utilized by the Company to adjust asset exposures and review a liability hedging program through the use of forward looking correlation, risk and return estimates. Those forward looking estimates of correlation, risk and return generated from the modeling studies are also used to estimate the EROA. The EROA is estimated utilizing a forward-looking building block model factoring in the expected risk of each asset category, return and correlation over a 5-7 year horizon, and weighting the exposures by the current asset allocation. Historical inputs are utilized in the forecasting model to frame the current market environment with adjustments made based on the forward looking view. The Company aggregates investments into major asset categories based on the underlying benchmark of the strategy. The Company's asset categories include broadly diversified exposure to U.S. and non-U.S. equities, U.S. and non-U.S. government and corporate bonds, inflation-linked bonds, commodities and absolute return strategies. Each allocation to these major asset categories is determined within the overall asset allocation to accomplish unique objectives, including enhancing portfolio return, providing portfolio diversification, or hedging plan liabilities.

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 $40 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 $69 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.

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.

CURRENT KODAK OPERATING MODEL AND REPORTING STRUCTURE

As of September 30, 2012, the Company has three reportable segments; the Graphics, Entertainment and Commercial Films Segment, the Digital Printing and Enterprise Segment, and the Personalized and Document Imaging Segment. Within each of the Company's reportable segments are various components, or Strategic Product Groups (SPGs). Throughout the remainder of this document, references to the segments' SPGs are indicated in italics. A description of the segments is as follows:

Graphics, Entertainment and Commercial Films Segment: The Graphics, Entertainment and Commercial Films Segment provides commercial digital and traditional product and service offerings. The Graphics, Entertainment and Commercial Films Segment encompasses the following SPGs. Products and services included within each SPG are identified below.

Entertainment Imaging & Commercial Films includes entertainment imaging products and services; aerial and industrial film products; and film for the production of printed circuit boards.

Graphics includes prepress solutions, which includes equipment, plates, chemistry, media and related services, and workflow software and digital controllers.

Digital Printing and Enterprise Segment: The Digital Printing and Enterprise Segment serves a variety of customers in the creative, in-plant, data center, consumer printing, 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. The Digital Printing and Enterprise Segment encompasses the following SPGs. Products and services included within each SPG are identified below.

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

Packaging and Functional Printing includes packaging printing equipment and related consumables and services, as well as functionally printed materials and components.

Enterprise Services and Solutions includes business solutions and consulting services.

Consumer Inkjet Systems includes consumer inkjet printers and related ink and media consumables. On September 28, 2012, the Company announced a plan, starting in 2013, to focus its Consumer Inkjet business solely on the sale of ink to its installed printer base.

Personalized and Document Imaging Segment: The Personalized and Document Imaging Segment provides consumer digital and traditional imaging products and service offerings. The Personalized and Document Imaging Segment encompasses the following SPGs. Products and services included within each SPG are identified below.

Intellectual Property includes the licensing activities related to digital imaging products and branded licensed products.

Personalized Imaging includes retail systems solutions, paper and output systems, event imaging solutions and consumer film.

Document Imaging includes document scanning products and services and related maintenance offerings.

Net Sales from Continuing Operations by Reportable Segment

| (dollars in millions) | Three Months Ended September 30, 2012 | 2011 | % Change | Foreign Currency Impact* | Nine Months Ended September 30, 2012 | 2011 | Change | Foreign Currency Impact* |
|---|---|---|---|---|---|---|---|---|
| Graphics, Entertainment and Commercial Films | | | | | | | | |
| Inside the U.S. | $ 104 | $ 119 | -13 % | 0 % | $ 340 | $ 374 | -9 % | 0 % |
| Outside the U.S. | 302 | 429 | -30 | -4 | 954 | 1,286 | -26 | -3 |
| Total Graphics, Entertainment and Commercial Films | 406 | 548 | -26 | -3 | 1,294 | 1,660 | -22 | -2 |
| Digital Printing and Enterprise | | | | | | | | |
| Inside the U.S. | 103 | 123 | -16 | 0 | 314 | 364 | -14 | 0 |
| Outside the U.S. | 127 | 144 | -12 | -5 | 357 | 400 | -11 | -4 |
| Total Digital Printing and Enterprise | 230 | 267 | -14 | -3 | 671 | 764 | -12 | -2 |
| Personalized and Document Imaging | | | | | | | | |
| Inside the U.S. | 130 | 144 | -10 | 0 | 301 | 402 | -25 | 0 |
| Outside the U.S. | 252 | 302 | -17 | -6 | 728 | 851 | -14 | -5 |
| Total Personalized and Document Imaging | 382 | 446 | -14 | -4 | 1,029 | 1,253 | -18 | -3 |
| Consolidated | | | | | | | | |
| Inside the U.S. | 337 | 386 | -13 | 0 | 955 | 1,140 | -16 | 0 |
| Outside the U.S. | 681 | 875 | -22 | -5 | 2,039 | 2,537 | -20 | -4 |
| Consolidated Total | $ 1,018 | $ 1,261 | -19 % | -3 % | $ 2,994 | $ 3,677 | -19 % | -3 % |

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

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

| (dollars in millions) | Three Months Ended September 30, 2012 | 2011 | Change | Nine Months Ended September 30, 2012 | 2011 | Change |
|---|---|---|---|---|---|---|
| Graphics, Entertainment and Commercial Films | $ (4 ) | $ (2 ) | -100 % | $ (22 ) | $ (23 ) | +4 % |
| Digital Printing and Enterprise | (43 ) | (137 ) | +69 % | (171 ) | (419 ) | +59 % |
| Personalized and Document Imaging | 10 | 15 | -33 % | (57 ) | (24 ) | -138 % |
| Total | $ (37 ) | $ (124 ) | +70 % | $ (250 ) | $ (466 ) | +46 % |
| Percent of Sales | (4 )% | (10 )% | | (8 )% | (13 )% | |
| Restructuring costs and other | (126 ) | (18 ) | | (218 ) | (86 ) | |
| Corporate components of pension and OPEB expense | (34 ) | (13 ) | | (100 ) | (25 ) | |
| Other operating income (expenses), net | 4 | (12 ) | | 5 | 59 | |
| Legal contingencies, settlements and other | - | - | | (1 ) | - | |
| Loss on early extinguishment of debt, net | - | - | | (7 ) | - | |
| Interest expense | (41 ) | (41 ) | | (117 ) | (116 ) | |
| Other income (charges), net | 6 | (7 ) | | 5 | 1 | |
| Reorganization items, net | (56 ) | - | | (304 ) | - | |
| Consolidated loss from continuing operations before income taxes | $ (284 ) | $ (215 ) | -32 % | $ (987 ) | $ (633 ) | -56 % |

2012 COMPARED WITH 2011

Third Quarter and Year to Date

RESULTS OF OPERATIONS – CONTINUING OPERATIONS

CONSOLIDATED

| (dollars in millions) | Three Months Ended September 30, | | | | | Nine Months Ended September 30, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | % of Sales | 2011 | % of Sales | % Change | 2012 | % of Sales | 2011 | % of Sales | % Change |
| Net sales | $1,018 | | $1,261 | | -19 % | $2,994 | | $3,677 | | -19 % |
| Cost of sales | 858 | | 1,081 | | -21 % | 2,590 | | 3,194 | | -19 % |
| Gross profit | 160 | 16 % | 180 | 14 % | -11 % | 404 | 14 % | 483 | 13 % | -16 % |
| Selling, general and administrative expenses | 196 | 19 % | 259 | 21 % | -24 % | 608 | 20 % | 800 | 22 % | -24 % |
| Research and development costs | 44 | 4 % | 59 | 5 % | -25 % | 158 | 5 % | 183 | 5 % | -14 % |
| Restructuring costs and other | 117 | | 17 | | -588% | 206 | | 77 | | -168% |
| Other operating (income) expenses, net | (4 ) | | 12 | | 133 % | (4 ) | | (59 ) | | -93 % |
| Loss from continuing operations before interest expense, other income (charges), net, reorganization items, net and income taxes | (193 ) | -19% | (167 ) | -13% | -16 % | (564 ) | -19% | (518 ) | -14% | -9 % |
| Interest expense | 41 | | 41 | | 0 % | 117 | | 116 | | -1 % |
| Loss on early extinguishment of debt, net | - | | - | | | 7 | | - | | |
| Other income (charges), net | 6 | | (7 ) | | | 5 | | 1 | | |
| Reorganization items, net | 56 | | - | | | 304 | | - | | |
| Loss from continuing operations before income taxes | (284 ) | | (215 ) | | -32 % | (987 ) | | (633 ) | | -56 % |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Provision (benefit) for income taxes | 23 | | (1) | | | (84) | | (41) | | |
| Loss from continuing operations | (308) | -30% | (214) | -17% | -43% | (903) | -30% | (590) | -16% | -53% |
| Loss from discontinued operations, net of income taxes | (5) | | (8) | | | (74) | | (55) | | |
| NET LOSS ATTRIBUTABLE TO EASTMAN KODAK COMPANY | $(312) | | $(222) | | -41% | $(977) | | $(647) | | -51% |

| | Three Months Ended September 30, | | Percent Change vs. 2011 | | | |
|---|---|---|---|---|---|---|
| | 2012 Amount | Change vs. 2011 | Volume | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
| Net sales | $ 1,018 | -19% | -16% | 0% | -3% | n/a |
| Gross profit margin | 16% | 2pp | n/a | 4pp | -1pp | -1pp |

| | Nine Months Ended September 30, | | Percent Change vs. 2011 | | | |
|---|---|---|---|---|---|---|
| | 2012 Amount | Change vs. 2011 | Volume | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
| Net sales | $ 2,994 | -19% | -14% | -2% | -3% | n/a |
| Gross profit margin | 14% | 1pp | n/a | 2pp | -1pp | 0pp |

Revenues

Current Quarter
For the three months ended September 30, 2012, net sales decreased approximately 19% compared with the same period in 2011 primarily due to volume declines across all segments.  See segment discussions below for additional information.

Year to Date
For the nine months ended September 30, 2012, net sales decreased approximately 19% compared with the same period in 2011 primarily due to volume declines across all segments.  Included in the total decline was the $61 million license revenue reduction reflecting sharing, with licensees, of the withholding tax refund received in the first quarter of 2012 (refer to Note 9, “Income Taxes” for additional information).  See segment discussions below for additional information.

Gross Profit

Current Quarter
The increase in gross profit percent for the three months ended September 30, 2012 as compared with the prior year quarter was primarily due to favorable price/mix within the Digital Printing and Enterprise Segment driven by the focus on profitability in Consumer Inkjet Systems (+4pp).  See segment discussions below for additional details.

Year to Date
Gross profit percent for the nine months ended September 30, 2012 as compared with the prior year quarter increased,  despite the $61 million licensing revenue reduction in the first quarter of 2012 (refer to Note 9 “Income Taxes” for additional information), due to the focus on profitability within Consumer Inkjet Systems (+3pp).  See segment discussions below for additional details.

Selling, General and Administrative Expenses

The decreases in consolidated selling, general and administrative expenses (SG&A) for the three and nine months ended September 30, 2012 as compared with the prior year periods were the result of cost reduction actions impacting the current quarter and year to date periods.

Research and Development Costs

The decrease in research and development costs (R&D) for the three and nine months ended September 30, 2012 as compared with the prior year periods was primarily attributable to cost reduction actions.

Restructuring Costs and Other

These costs, as well as the restructuring costs reported in Cost of sales, are discussed under the "RESTRUCTURING COSTS AND OTHER" section.

Other Operating (Income) Expenses, Net

For details, refer to Note 14, “Other Operating (Income) Expenses, Net.”

Reorganization Items, Net

For details, refer to Note 4, “Reorganization Items, Net.”

Income Tax Provision (Benefit)

| (dollars in millions) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| Loss from continuing operations before income taxes | $ (284 ) | $ (215 ) | $ (987 ) | $ (633 ) |
| Provision (benefit) for income taxes | $ 24 | $ (1 ) | $ (84 ) | $ (43 ) |
| Effective tax rate | (8.5 )% | 0.5 % | 8.5 % | 6.8 % |

Current Quarter
The change in the Company's effective tax rate from continuing operations for the quarter is primarily attributable to: (1) a benefit as a result of the Company reaching a settlement with a taxing authority in a location outside the U.S. in the three months ended September 30, 2011, (2) an increase as a result of foreign withholding taxes on undistributed earnings, (3) an increase as a result of tax accounting impacts related to items reported in Accumulated other comprehensive loss in the Consolidated Statement of Financial Position (4) an increase as a result of losses generated in 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, (5) a decrease as a result of the establishment of a deferred tax asset valuation allowance in certain jurisdictions outside the U.S. and (6) an increase as a result of other changes in audit reserves.

Year to Date
The change in the Company's effective tax rate from continuing operations for the nine months ended September 30, 2012 is primarily attributable to: (1) a benefit as a result of the Company reaching a settlement of a competent authority claim in the nine months ended September 30, 2012, (2) a benefit as a result of the U.S. Internal Revenue Service federal audit settlement for calendar years 2001 through 2005 in the nine months ended September 30, 2011, (3) a benefit as a result of the Company reaching a settlement with a taxing authority in a location outside the U.S. in the nine months ended September 30, 2011, (4) a decrease as a result of losses generated in 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, (5) a benefit as a result of the release of a deferred tax asset valuation allowance in a certain jurisdiction outside the U.S. in the nine months ended September 30, 2011, (6) an increase as a result of tax accounting impacts related to items reported in Accumulated other comprehensive loss in the Consolidated Statement of Financial Position and (7) an increase associated with foreign withholding taxes on undistributed earnings.

GRAPHICS, ENTERTAINMENT AND COMMERICAL FILMS SEGMENT

| (dollars in millions) | Three Months Ended September 30, | | | | | Nine Months Ended September 30, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | % of Sales | 2011 | % of Sales | % Change | 2012 | % of Sales | 2011 | % of Sales | % Change |
| Net sales | $ 406 | | $ 548 | | -26 % | $ 1,294 | | $ 1,660 | | -22 % |
| Cost of sales | 344 | | 450 | | -24 % | 1,091 | | 1,368 | | -20 % |
| Gross profit | 62 | 15 % | 98 | 18 % | -37 % | 203 | 16 % | 292 | 18 % | -30 % |
| Selling, general and administrative expenses | 57 | 14 % | 83 | 15 % | -31 % | 191 | 15 % | 261 | 16 % | -27 % |
| Research and development costs | 9 | 2 % | 17 | 3 % | -47 % | 34 | 3 % | 54 | 3 % | -37 % |
| Loss from continuing operations before interest expense, other income (charges), net and income taxes | $ (4 ) | -1 % | $ (2 ) | 0 % | -100 % | $ (22 ) | -2 % | $ (23 ) | -1 % | 4 % |

| | Three Months Ended September 30, | | Percent Change vs. 2011 | | | |
|---|---|---|---|---|---|---|
| | 2012 Amount | Change vs. 2011 | Volume | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
| Net sales | $ 406 | -26 % | -22 % | -1 % | -3 % | n/a |
| Gross profit margin | 15 % | -3pp | n/a | -1pp | -1pp | -1pp |

| | Nine Months Ended September 30, | | Percent Change vs. 2011 | | | |
|---|---|---|---|---|---|---|
| | 2012 Amount | Change vs. 2011 | Volume | Price/Mix | Foreign Exchange | Manufacturing and Other |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | Costs |
| Net sales | $ 1,294 | -22 % | -19 % | -1 % | -2 % | n/a |
| Gross profit margin | 16 % | -2pp | n/a | 0pp | 0pp | -2pp |

Revenues

Current Quarter
The decrease in the Graphics, Entertainment and Commercial Films Segment net sales of approximately 26% for the quarter was primarily driven by volume declines within Entertainment Imaging & Commercial Films (-12%), largely attributable to reduced demand primarily due to secular decline, and within Graphics, largely attributable to lower demand for digital plates (-3%) and output devices (-2%) and the exit of analog plates (-2%) in most geographies.

Year to Date
The decrease in the Graphics, Entertainment and Commercial Films Segment net sales of approximately 22% for the nine months ended September 30, 2012 was primarily attributable to volume declines within Entertainment Imaging & Commercial Films (-11%), largely attributable to reduced demand primarily due to secular decline in the industry and within Graphics, largely attributable to lower demand for digital plates (-2%) and the exit of analog plates (-2%) in most geographies.

Gross Profit

Current Quarter
The decrease in the Graphics, Entertainment and Commercial Films Segment gross profit percent for the three months ended September 30, 2012 was partially due to increased costs within Entertainment Imaging & Commercial Films (-2pp) driven by lower production volumes.

Year to Date
The decrease in the gross profit percent in the Graphics, Entertainment and Commercial Films Segment for the nine months ended September 30, 2012 as compared with the prior year period was due to increased costs within Entertainment Imaging & Commercial Films (-2pp) driven by lower production volumes.

Selling, General and Administrative Expenses

The decrease in SG&A for the three and nine months ended September 30, 2012 as compared with the prior year period was primarily attributable to cost reduction actions.

Research and Development Costs

The decrease in R&D for the three and nine months ended September 30, 2012 as compared with the prior year period was primarily attributable to cost reduction actions.

DIGITAL PRINTING AND ENTERPRISE SEGMENT

| (dollars in millions) | Three Months Ended September 30, | | | | | Nine Months Ended September 30, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | % of Sales | 2011 | % of Sales | % Change | 2012 | % of Sales | 2011 | % of Sales | % Change |
| Net sales | $ 230 | | $ 267 | | -14 % | $ 671 | | $ 764 | | -12 % |
| Cost of sales | 194 | | 283 | | -31 % | 583 | | 800 | | -27 % |
| Gross profit | 36 | 16 % | (16 ) | -6 % | 325 % | 88 | 13 % | (36 ) | -5 % | 344 % |
| Selling, general and administrative expenses | 58 | 25 % | 92 | 34 % | -37 % | 182 | 27 % | 290 | 38 % | -37 % |
| Research and development costs | 21 | 9 % | 29 | 11 % | -28 % | 77 | 11 % | 93 | 12 % | -17 % |
| Loss from continuing operations before interest expense, other income (charges), net and income taxes | $ (43 ) | -19 % | $ (137 ) | -51 % | 69 % | $ (171 ) | -25 % | $ (419 ) | -55 % | 59 % |

| | Three Months Ended September 30, | | Percent Change vs. 2011 | | | |
|---|---|---|---|---|---|---|
| | 2012 Amount | Change vs. 2011 | Volume | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
| Net sales | $ 230 | -14 % | -15 % | 4 % | -3 % | n/a |
| Gross profit margin | 16 % | 22pp | n/a | 17pp | -1pp | 6pp |

| | Nine Months Ended September 30, | Percent Change vs. 2011 |
|---|---|---|

| | 2012 Amount | Change vs. 2011 | Volume | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
|---|---|---|---|---|---|---|
| Net sales | $ 671 | -12 % | -12 % | 2 % | -2 % | n/a |
| Gross profit margin | 13 % | 18pp | n/a | 16pp | -1pp | 3pp |

Revenues

Current Quarter
The decrease in the Digital Printing and Enterprise Segment net sales of approximately 14% for the quarter was driven by volume declines within Digital Printing attributable to lower placements of commercial equipment (-6%), and within Consumer Inkjet Systems (-8%) driven by lower consumer printer sales. Partially offsetting these declines was favorable price/mix within Consumer Inkjet Systems (+4%) due to pricing actions in the current year period.

Year to Date
The decrease in Digital Printing and Enterprise Segment net sales of approximately 12% for the nine months ended September 30, 2012 was attributable to volume declines within Digital Printing attributable to lower placements of commercial equipment (-7%), and within Consumer Inkjet Systems (-5%) driven by lower consumer printer sales. Partially offsetting these declines was favorable price/mix within Consumer Inkjet Systems (+3%) due to pricing actions in the current year period.

Gross Profit

Current Quarter
The increase in the Digital Printing and Enterprise Segment gross profit percent for the three months ended September 30, 2012 was primarily due to favorable price/mix within Consumer Inkjet Systems (+17pp), due to a greater proportion of consumer ink sales and pricing actions in the current year period. Also contributing to the increase in gross profit percent were cost reductions within Digital Printing (+5pp), driven by improved inventory management as the Company focuses on liquidity, and cost reductions within Packaging & Functional Printing (+3pp), driven by manufacturing productivity improvements.

Year to Date
Gross profit percent in the Digital Printing and Enterprise Segment for the nine months ended September 30, 2012 as compared with the prior year period increased due to favorable price/mix within Consumer Inkjet Systems (+14pp), due to a greater proportion of consumer ink sales and pricing actions in the current year period. Also contributing to the increase in gross profit percent were cost reductions within Digital Printing (+3pp), driven by improved inventory management as the Company focuses on liquidity.

Selling, General and Administrative Expenses

The decrease in SG&A for the three and nine months ended September 30, 2012 as compared with the prior year period was primarily attributable to cost reduction actions.

Research and Development Costs

The decrease in R&D for the three and nine months ended September 30, 2012 as compared with the prior year period was primarily attributable to cost reduction actions.

PERSONALIZED AND DOCUMENT IMAGING SEGMENT

| (dollars in millions) | Three Months Ended September 30, | | | | | Nine Months Ended September 30, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | % of Sales | 2011 | % of Sales | % Change | 2012 | % of Sales | 2011 | % of Sales | % Change |
| Net sales | $ 382 | | $ 446 | | -14 % | $ 1,029 | | $ 1,253 | | -18 % |
| Cost of sales | 290 | | 335 | | -13 % | 841 | | 984 | | -15 % |
| Gross profit | 92 | 24 % | 111 | 25 % | -17 % | 188 | 18 % | 269 | 21 % | -30 % |
| Selling, general and administrative expenses | 70 | 18 % | 79 | 18 % | -11 % | 202 | 20 % | 244 | 19 % | -17 % |
| Research and development costs | 12 | 3 % | 17 | 4 % | -29 % | 43 | 4 % | 49 | 4 % | -12 % |
| Earnings (loss) from continuing operations before interest expense, other income (charges), net and income taxes | $ 10 | 3 % | $ 15 | 3 % | -33 % | $ (57 ) | -6 % | $ (24 ) | -2 % | -138 % |

| | Three Months Ended September 30, | | Percent Change vs. 2011 | | | |
|---|---|---|---|---|---|---|
| | 2012 Amount | Change vs. 2011 | Volume | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
| Net sales | $ 382 | -14 % | -9 % | -2 % | -3 % | n/a |
| Gross profit margin | 24 % | -1pp | n/a | 1pp | -1pp | -1pp |

| | Nine Months Ended September 30, | | Percent Change vs. 2011 | | | |
|---|---|---|---|---|---|---|
| | 2012 Amount | Change vs. 2011 | Volume | Price/Mix | Foreign Exchange | Manufacturing and |

| | | | | | | Other Costs |
|---|---|---|---|---|---|---|
| Net sales | $ 1,029 | -18 % | -10 % | -4 % | -4 % | n/a |
| Gross profit margin | 18 % | -3pp | n/a | -2pp | -1pp | 0pp |

Revenues

Current Quarter
The Personalized and Document Imaging Segment second quarter revenue decline of approximately 14% was primarily attributable to volume declines within Personalized Imaging largely due to reduced demand for paper and output systems (-9%) and consumer film (-3%). Partially offsetting these declines were volume improvements for retail systems solutions (+2%) within Personalized Imaging due to increased demand.

Year to Date
The Personalized and Document Imaging Segment year to date revenue decline of approximately 18% was primarily due to volume declines within Personalized Imaging largely due to reduced demand for paper and output systems (-8%) and consumer film (-2%). Also contributing to the revenue decline was unfavorable price/mix within Intellectual Property (-7%) due to the $61 million licensing revenue reduction reflecting sharing, with licensees, of the withholding tax refund received (refer to Note 9 “Income Taxes” for additional information). Partially offsetting these declines was favorable price/mix within Personalized Imaging (+3%), due to the results of pricing actions in paper and output systems, and volume improvements for retail systems solutions (+2%) due to increased demand.

Gross Profit

Current Quarter
The decrease in gross profit percent for the three months ended September 30, 2012 was attributable to increased manufacturing and other costs in Personalized Imaging (-1pp) driven by lower production volumes primarily for consumer film products.

Year to Date
The decrease in gross profit percent for the nine months ended September 30, 2012 was primarily attributable to unfavorable price/mix within Intellectual Property due to the $61 million licensing revenue reduction as noted above. Partially offsetting this decline was favorable price/mix within Personalized Imaging (+5pp) driven by the pricing actions in paper and output systems noted above.

Selling, General and Administrative Expenses

The decrease in SG&A for the three and nine months ended September 30, 2012 as compared with the prior year period was primarily attributable to cost reduction actions.

Research and Development Costs

The decrease in R&D for the three and nine months ended September 30, 2012 as compared with the prior year period was primarily attributable to cost reduction actions.

RESTRUCTURING COSTS AND OTHER

The Company recorded $128 million of charges, including $2 million of charges for accelerated depreciation and $7 million of charges for inventory write-downs, which were reported in Cost of sales in the accompanying Consolidated Statement of Operations for the three months ended September 30, 2012, and $2 million which was reported as discontinued operations.  The Company recorded $244 million of charges, including $4 million of charges for accelerated depreciation and $8 million of charges for inventory write-downs, which were reported in Cost of sales in the accompanying Consolidated Statement of Operations for the nine months ended September 30, 2012, and $26 million which was reported as discontinued operations.  The remaining costs incurred of $117 million and $206 million were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations for the three and nine months ended September 30, 2012, respectively.  The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments, accelerated depreciation and inventory write-downs represent non-cash items.

During the three and nine months ended September 30, 2012, the Company made cash payments related to restructuring of approximately $15 million and $65 million, respectively.

The charges of $244 million recorded in the first three quarters of 2012 included $89 million applicable to the Digital Printing and Enterprise Segment, $16 million applicable to the Graphics, Entertainment and Commercial Films Segment, $22 million applicable to the Personalized and Document Imaging Segment, and $91 million that was applicable to manufacturing, research and development, and administrative functions, which are shared across both segments.  The remaining $26 million was applicable to discontinued operations.

The restructuring actions implemented in the first nine months of 2012 are expected to generate future annual cash savings of approximately $251 million.  These savings are expected to reduce future annual Cost of sales, SG&A, and R&D expenses by $110 million, $100 million, and $41 million, respectively.  The Company began realizing a portion of these savings in the first nine months of 2012, and expects the majority of the annual savings to be in effect by the end of the first half of 2013 as actions are completed.

LIQUIDITY AND CAPITAL RESOURCES

| (in millions) | As of September 30, 2012 | As of December 31, 2011 |
|---|---|---|
| Cash and cash equivalents | $ 1,132 | $ 861 |

Cash Flow Activity

| (in millions) | Nine Months Ended September 30, 2012 | 2011 | Change |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net cash used in continuing operations | $ (291) | $ (917) | $ 626 |
| Net cash provided by (used in) discontinued operations | 30 | (121) | 151 |
| Net cash used in operating activities | (261) | (1,038) | 777 |
| Cash flows from investing activities: | | | |
| Net cash used in continuing operations | (10) | (106) | 96 |
| Net cash provided by discontinued operations | 27 | 66 | (39) |
| Net cash provided by (used in) investing activities | 17 | (40) | 57 |
| Cash flows from financing activities: | | | |
| Net cash provided by financing activities | 512 | 301 | 211 |
| Effect of exchange rate changes on cash | 3 | 15 | (12) |
| Net increase (decrease) in cash and cash equivalents | $ 271 | $ (762) | $ 1,033 |

Operating Activities

Net cash used in operating activities decreased $777 million for the nine months ended September 30, 2012 as compared with the corresponding period in 2011, primarily due to non-payment of pre-petition claims. Additionally, cash provided by discontinued operations improved by $151 million due to working capital changes associated with the discontinued operations in the current year period. Partially offsetting these improvements was the incremental payment of reorganization and restructuring costs of approximately $150 million in the current year period.

Investing Activities

Net cash provided by investing activities increased $57 million for the nine months ended September 30, 2012 as compared with the nine months ended September 30, 2011, due to decreases in current period capital expenditures of $37 million, as well as cash used for a business acquisition in the prior year period of $27 million and the funding of a restricted cash account of $22 million in the prior year period. Partially offsetting these cash improvements was a decrease in proceeds from the sales of businesses/assets of $32 million.

Financing Activities

Net cash provided by financing activities increased $211 million for the nine months ended September 30, 2012 as compared with the corresponding period in 2011 due to the net borrowing increase of approximately $210 million in the current year period, driven by the first quarter net borrowing increase, and the proceeds from the sale and leaseback of a property in Mexico in the first quarter for approximately $41 million. Partially offsetting these increases was an increase in reorganization items of $40 million. Refer to discussion below for more details on current period financing activities.

Sources of Liquidity

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 its growth businesses and its transformation from a traditional film manufacturing company to a digital technology company. While the Company develops its reorganization plan, the need to invest in its businesses will be balanced with the need to improve liquidity. The Company faces an uncertain business environment and a number of substantial challenges, including aggressive price competition, secular decline in the Company’s traditional film businesses, the cost to restructure the Company to enable sustainable profitability, the level of investment necessary for its businesses, underfunded and unfunded defined benefit and other postretirement benefit plans, and short-term uncertainty relating to monetization of the Company’s digital imaging patent portfolios.

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 and businesses, 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.

On January 20, 2012, in connection with the Company’s Bankruptcy Filing, the Company entered into the DIP Credit Agreement which provides up to a $700 million super-priority senior secured term loan facility and up to a $250 million super-priority senior secured asset-based revolving credit facility. During the first half of 2012 the Company borrowed $700 million in term loans and issued $114 million of letters of credit and had secured agreements of $20 million under the revolving credit facilities. As of September 30, 2012 there was $667 million, $114 million and $20 million of outstanding debt, letters of credit and secured agreements, respectively, outstanding under the DIP Credit Agreement.

The Company must prepay the DIP Credit Agreement with all net cash proceeds from sales of or casualty events relating to certain types of collateral consisting of accounts, inventory, equipment or machinery that constitute collateral. In addition, all net cash proceeds from any sale in respect of the Company’s digital imaging patent portfolio must be used to prepay the DIP Credit Agreement. With respect to all other asset sales or casualty events, or intellectual property licensing or settlement agreements, 75% of the net cash proceeds must be used to prepay the DIP Credit Agreement and 25% may be retained by the Company (retained proceeds are $25 million as of September 30, 2012). However, once the Company’s share of these retained proceeds totals $150 million, all remaining and future net proceeds must be used to prepay the DIP Credit Agreement. The DIP Credit Agreement terminates and all outstanding obligations must be repaid on the earliest to occur of (i) July 20, 2013, (ii) the date of the substantial consummation of certain reorganization plans or (iii) certain other events, including Events of Default and repayment in full of the obligations pursuant to a mandatory prepayment. The Company has begun exploring funding opportunities for its emergence plan.

Cash and cash equivalents are held in various locations throughout the world. At September 30, 2012 and December 31, 2011, approximately $300 million and $170 million, respectively, of cash and cash equivalents were held within the U.S. and approximately $830 million and $690 million, respectively, of cash and cash equivalents were held outside the U.S. Total cash and cash equivalents at September 30, 2012 and December 31, 2011 were $1,132 million and $861 million, respectively. The Company utilizes a variety of tax planning and financing strategies in an effort to ensure that cash is available in locations where it is needed. Cash balances held outside of the U.S. are generally required to support local country operations, or may have high tax costs, and therefore may not be readily available for transfer to other jurisdictions. Additionally, in China, where approximately $330 million of cash and cash equivalents was held as of September 30, 2012, there are limitations related to net asset balances that impact the ability to make cash available to other jurisdictions in the world. Under the terms of the DIP Credit Agreement, the Debtors are permitted to invest up to $100 million at any time in subsidiaries that are not party to the loan agreement.

The Bankruptcy Court has approved bidding procedures for the Company to auction its digital capture and Kodak imaging systems and services patent portfolios.  If the Company is unable to sell its digital imaging patent portfolio at an appropriate price, it intends to pursue alternative methods to monetize the digital imaging patents, including potential licensing opportunities related to that patent portfolio.  During the third quarter of 2012 the Company exited its digital capture and devices and Kodak Gallery businesses.  Additionally, the Company has announced its decision to initiate a sales process for its Personalized Imaging and Document Imaging businesses.  The Company has also announced a plan, starting in 2013, to focus its Consumer Inkjet business solely on the sale of ink to its installed printer base.  These actions are intended to improve the Company's liquidity.

The Debtors' agreement with the Retiree Committee to stop providing retiree medical, dental, life insurance and survivor income benefits (other than COBRA continuation coverage or conversion rights as required by the retiree benefit plans or applicable law) after December 31, 2012, if approved, will also improve liquidity. The Company expects to pay $112 million of retiree benefits under the terms of the plans in 2012. There can be no assurance that cash on hand, cash generated through operations, cash generated from asset sales, and other available funds will be sufficient to meet the Company's reorganization or ongoing cash needs, or that the Company will remain in compliance with all the necessary terms and conditions of the DIP Credit Agreement. As a result, the Company may be required to consider other alternatives to maximize the potential recovery for the various creditor constituencies, including, but not limited to, a possible sale of the Company or certain of the Company's material assets pursuant to Section 363 of the Bankruptcy Code.

Liens on assets under the Company's borrowing arrangements are not expected to affect the Company's strategy of divesting non-core assets.

Refer to Note 8, "Short-Term Borrowings and Long-Term Debt," in the Notes to Financial Statements for further discussion of sources of liquidity, presentation of long-term debt, related maturities and interest rates as of September 30, 2012 and December 31, 2011.

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, March 5, 2012 and April 26, 2012 (the "DIP Credit Agreement"), with certain subsidiaries of the Company and the Canadian Borrower signatory thereto ("Subsidiary Guarantors"), the lenders signatory thereto (the "Lenders"), Citigroup Global Markets Inc., as sole lead arranger and bookrunner, and Citicorp North America, Inc., as syndication agent, administration agent and co-collateral agent (the "Agent"). Pursuant to the terms of the DIP Credit Agreement, the Lenders agreed to lend in an aggregate principal amount of up to $950 million, consisting of an up to $250 million super-priority senior secured asset-based revolving credit facility and an up to $700 million super-priority senior secured term loan facility (collectively, the "Loans"). A portion of the revolving credit facility will be available to the Canadian Borrower and may be borrowed in Canadian Dollars. The DIP Credit Agreement was approved on February 15, 2012 by the Bankruptcy Court. The DIP Credit Agreement terminates and all outstanding obligations must be repaid on the earliest to occur of (i) July 20, 2013, (ii) the date of the substantial consummation of certain reorganization plans and (iii) certain other events, including Events of Default and repayment in full of the obligations pursuant to a mandatory prepayment.

The Company and each existing and future direct or indirect U.S. subsidiary of the Company (other than indirect U.S. subsidiaries held through foreign subsidiaries and certain immaterial subsidiaries (if any)) (the "U.S. Guarantors") have agreed to provide unconditional guarantees of the obligations of the Borrowers under the DIP Credit Agreement. In addition, the U.S. Guarantors, the Canadian Borrower and each existing and future direct and indirect Canadian subsidiary of the Canadian Borrower (other than certain immaterial subsidiaries (if any)) (the "Canadian Guarantors" and, together with the U.S. Guarantors, the "Guarantors") have agreed to provide unconditional guarantees of the obligations of the Canadian Borrower under the DIP Credit Agreement. Under the terms of the DIP Credit Agreement, the Company will have the option to have interest on the loans provided thereunder accrue at a base rate or the then applicable LIBOR Rate (subject to certain adjustments and, in the case of the term loan facility, a floor of 1.00%), plus a margin, (x) in the case of the revolving loan facility, of 2.25% for a base rate revolving loan or 3.25% for a LIBOR rate revolving loan, and (y) in the case of the term loan facility, of 6.50% for a base rate loan and 7.50% for a LIBOR Rate loan. The obligations of the Borrowers and the Guarantors under the DIP Credit Agreement are secured by a first-priority security interest in and lien upon all of the existing and after-acquired personal property of the Company and the U.S. Guarantors, including pledges of all stock or other equity interest in direct subsidiaries owned by the Company or the U.S. Guarantors (but only up to 65% of the voting stock of each direct foreign subsidiary owned by the Company or any U.S. Guarantor in the case of pledges securing the Company's and the U.S. Guarantors' obligations under the DIP Credit Agreement). Assets of the type described in the preceding sentence of the Canadian Borrower or any Canadian subsidiary of the Canadian Borrower are similarly pledged to secure the obligations of the Canadian Borrower and Canadian Guarantor under the DIP Credit Agreement. The security and pledges are subject to certain exceptions.

The DIP Credit Agreement limits, among other things, the Borrowers' and the Subsidiary Guarantors' ability to (i) incur indebtedness, (ii) incur or create liens, (iii) dispose of assets, (iv) prepay subordinated indebtedness and make other restricted payments, (v) enter into sale and leaseback transactions and (vi) modify the terms of any organizational documents and certain material contracts of the Borrowers and the Subsidiary Guarantors. In addition to standard obligations, the DIP Credit Agreement provides for specific milestones that the Company must achieve by specific target dates. In addition, the Company and its subsidiaries are required to maintain consolidated Adjusted EBITDA (as defined in the DIP Credit Agreement) of not less than a specified level for certain periods, with the specified levels ranging from $(130) million to $175 million depending on the applicable period. The Company and its subsidiaries must also maintain minimum U.S. Liquidity (as defined in the DIP Credit Agreement) ranging from $100 million to $250 million depending on the applicable period. The Company was required to maintain U.S. Liquidity of $125 million, $250 million, and $150 million for the periods from January 20, 2012 to February 15, 2012; February 16, 2012 to March 31, 2012; and April 1, 2012 to September 30, 2012, respectively. From October 1, 2012 through the termination of the DIP Credit Agreement, the Company must maintain U.S. Liquidity of $100 million, subject to increase under certain circumstances as described in the DIP Credit Agreement. The Company was in compliance with all covenants under the DIP Credit Agreement as of September 30, 2012.

The Borrowers drew $700 million in term loans under the DIP Credit Agreement during the first quarter of 2012 and issued approximately $114 million of letters of credit under the revolving credit facility. Under the DIP Credit Agreement borrowing base calculation, the Borrowers had approximately $70 million available under the revolving credit facility. Availability under the DIP Credit Agreement may be further subject to borrowing base availability, reserves and other limitations. The Company paid approximately $33 million to the Agent for arrangement, incentive, and customary agency administration fees in connection with the DIP Credit Agreement and will pay to the Lenders participation fees and an unused amount fee and commitment fee as set forth in the DIP Credit Agreement.

Second Lien Note Holders Agreement

On February 14, 2012, the Company reached an adequate protection agreement with a group representing at least 50.1% of the Second Lien Note Holders (2019 Senior Secured Note Holders and 2018 Senior Secured Note Holders), which was reflected in the Final DIP Order. The Company agreed, among other things, to provide all Second Lien Note Holders with a portion of the proceeds received from certain sales and settlements in respect of the Company's digital imaging patent portfolio subject to the following waterfall and the Company's right to retain a percentage of certain proceeds under the DIP Credit Agreement: first, to repay any outstanding obligations under the DIP Credit Agreement, including cash collateralizing letters of credit (unless certain parties otherwise agree); second, to pay 50% of accrued second lien interest at the non-default rate; third, the Company retains $250 million; fourth, to repay the remaining accrued and unpaid second lien interest at the non-default rate; fifth, any remaining proceeds after conditions one through four up to $2,250 million to be split 60% to the Company and 40% to repay outstanding second lien debt at par; and sixth, the Company agreed that any proceeds above $2,250 million will be split 50% to the Company and 50% to Second Lien Note Holders until second lien debt is fully paid. The Company also agreed to pay current interest to Second Lien Note Holders upon the receipt of $250 million noted above. Subject to the satisfaction of certain conditions, the Company also agreed to pay reasonable fees of certain advisors to the Second Lien Note Holders.

Contractual Obligations

Kodak Limited, a wholly owned subsidiary of the Company, has agreed with the Trustees of the Kodak Pension Plan (the "Plan" or "KPP") in the United Kingdom to make certain contributions to the Plan. Under the terms of this agreement, Kodak Limited is obligated to pay a minimum amount of $50 million to the KPP in each of the years 2012 through 2014, and a minimum amount of $90 million to the KPP in each of the years 2015 through 2022. The payment amounts for the years 2015 through 2022 could be lower, and the payment amounts for 2012 through 2022 could be higher by up to $5 million per year, based on the exchange rate between the U.S. dollar and British pound. These minimum amounts do not include potential contributions related to tax benefits received by the Subsidiary.

The underfunded position of the Plan of approximately $1.1 billion (calculated in accordance with U.S. GAAP) is included in Pension and other postretirement liabilities presented in the Consolidated Statement of Financial Position as of September 30, 2012. The underfunded obligation relates to a non-debtor entity. The Trustee has asserted an unsecured claim of approximately $2.8 billion under the guarantee. Kodak Limited has also asserted an unsecured claim under the guarantee for an unliquidated amount. The ultimate treatment of the Trustee's and Kodak Limited's claims is not determinable at this time.

EKC has proposed that the Subsidiary's 2012 contribution be considered part of the overall resolution of the claims of the Trustee and Kodak Limited.

Other

Refer to Note 3, “Liabilities Subject to Compromise” in the Notes to Financial Statements for discussion regarding the Company’s reclassification of certain liabilities.

Refer to Note 10, “Commitments and Contingencies” in the Notes to Financial Statements for discussion regarding the Company’s undiscounted liabilities for environmental remediation costs, and other commitments and contingencies including legal matters.

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

This report on Form 10-Q, includes "forward–looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. Forward–looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, liquidity, financing needs, business trends, and other information that is not historical information. When used in this report on Form 10-Q, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," “predicts”, "forecasts," or future or conditional verbs, such as "will," "should," "could," or "may," and variations of such words or similar expressions are intended to identify forward–looking statements. All forward–looking statements, including, without limitation, management's examination of historical operating trends and data are based upon the Company's expectations and various assumptions. Future events or results may differ from those anticipated or expressed in these forward-looking statements. Important factors that could cause actual events or results to differ materially from these forward-looking statements include, among others, the risks and uncertainties described in more detail in this report on Form 10–Q for the quarter ended September 30, 2012 under the headings "Business", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations–Liquidity and Capital Resources" and those described in filings made by the Company with the U.S. Bankruptcy Court for the Southern District of New York and in other filings the Company makes with the SEC from time to time, as well as the following: the Company’s ability to successfully emerge from Chapter 11 as a profitable sustainable company; the ability of the Company and its subsidiaries to develop, secure approval of and consummate one or more plans of reorganization with respect to the Chapter 11 cases; the Company’s ability to improve its operating structure, financial results and profitability; the ability of the Company to achieve cash forecasts, financial projections, and projected growth; our ability to raise sufficient proceeds from the sale of businesses and non-core assets; the businesses the Company expects to emerge from Chapter 11; the ability of the company to discontinue certain businesses or operations; the ability of the Company to continue as a going concern; the Company’s ability to comply with the Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) covenants in its Debtor-in-Possession Credit Agreement; our ability to obtain additional financing; the potential adverse effects of the Chapter 11 proceedings on the Company's liquidity, results of operations, brand or business prospects; the monetization of our digital imaging patent portfolio; the outcome of our intellectual property patent litigation matters; the Company's ability to generate or raise cash and maintain a cash balance sufficient to comply with the minimum liquidity covenants in its Debtor-in-Possession Credit Agreement and to fund continued investments, capital needs, restructuring payments and service its debt; our ability to fairly resolve legacy liabilities; the resolution of claims against the company; our ability to retain key executives, managers and employees; our ability to maintain product reliability and quality and growth in relevant markets; our ability to effectively anticipate technology trends and develop and market new products, solutions and technologies; and the impact of the global economic environment on the. There may be other factors that may cause the Company's actual results to differ materially from the forward–looking statements. All forward–looking statements attributable to the Company or persons acting on its behalf apply only as of the date of this report on Form 10-Q, and are expressly qualified in their entirety by the cautionary statements included in this report. The Company undertakes no obligation to update or revise forward–looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

Item 3. Quantitative And Qualitative Disclosures About Market Risk

The Company, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates, commodity prices, and interest rates, which may adversely affect its results of operations and financial position. In seeking to minimize the risks associated with such activities, the Company may enter into derivative contracts. The Company does not utilize financial instruments for trading or other speculative purposes. Foreign currency forward contracts are used to hedge existing foreign currency denominated assets and liabilities, especially those of the Company's International Treasury Center, as well as forecasted foreign currency denominated intercompany sales. Silver forward contracts are used to mitigate the Company's risk to fluctuating silver prices. The Company's exposure to changes in interest rates results from its investing and borrowing activities used to meet its liquidity needs. Long-term debt is generally used to finance long-term investments, while short-term debt is used to meet working capital requirements.

Using a sensitivity analysis based on estimated fair value of open foreign currency forward contracts using available forward rates, if the U.S. dollar had been 10% weaker at September 30, 2012 and 2011, the fair value of open forward contracts would have decreased $14 million and increased $14 million, respectively. Such changes in fair value would be substantially offset by the revaluation or settlement of the underlying positions hedged.

There were no open silver forward contracts as of September 30, 2012. Using a sensitivity analysis based on estimated fair value of open silver forward contracts using available forward prices, if available forward silver prices had been 10% lower at September 30, 2011, the fair value of open forward contracts would have decreased $3 million. Such changes in fair value, if realized, would have been offset by lower costs of manufacturing silver-containing products.

The Company is exposed to interest rate risk primarily through its borrowing activities and, to a lesser extent, through investments in marketable securities. The Company may utilize borrowings to fund its working capital and investment needs. The majority of short-term and long-term borrowings are in fixed-rate instruments. There is inherent roll-over risk for borrowings and marketable securities as they mature and are renewed at current market rates. The extent of this risk is not predictable because of the variability of future interest rates and business financing requirements.

Using a sensitivity analysis based on estimated fair value of short-term and long-term borrowings, if available market interest rates had been 10% (about 252 basis points) lower at September 30, 2012, the fair value of short-term and long-term borrowings would have increased $1 million and $39 million, respectively. Using a sensitivity analysis based on estimated fair value of short-term and long-term borrowings, if available market interest rates had been 10% (about 229 basis points) lower at September 30, 2011, the fair value of short-term and long-term borrowings would have increased $3 million and $68 million, respectively. For debt subject to compromise, if available market interest rates had been 10% (about 3,119 basis points) lower at September 30, 2012, the fair value of short-term and long-term borrowings would have increased less than $1 million and $11 million, respectively.

The Company's financial instrument counterparties are high-quality investment or commercial banks with significant experience with such instruments. The Company manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. The Company has procedures to monitor the credit exposure amounts. The maximum credit exposure at September 30, 2012 was not significant to the Company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company’s reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company’s management, with participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II. Other Information

Item 1. 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, during the chapter 11 process, no party can take further actions to recover pre-petition claims against the Company. Refer to Note 2, "Chapter 11 Filing," in the Notes to the Consolidated Financial Statements for additional information.

Subsequent to the Company's chapter 11 filing, between January 27, 2012 and March 22, 2012, 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 (Board), the Company's Savings and Investment Plan (SIP) Committee and certain former and current executives of the Company. The suits have been consolidated into a single action brought under the Employee Retirement Income Security Act (ERISA), styled as In re Eastman Kodak ERISA Litigation, and the current and former members of the Board have been dismissed. 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. The Company expects to file its response to the consolidated complaint shortly.

On February 10, 2012, 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 Company statements concerning the Company's business and financial results were misleading (Timothy A. Hutchinson v. Antonio M. Perez, Philip J. Faraci, and Antoinette McCorvey). The Court is expected to rule shortly on the Company's July 2, 2012 motion to dismiss this case as against all defendants.

The Company believes that the ERISA and securities suits are not uncommon for companies in chapter 11. On behalf of the defendants in both cases, the Company believes that the suits are without merit and will vigorously defend them on their behalf. Although the nature of litigation is inherently unpredictable, the Company does not expect these cases, individually or in the aggregate, to have a material impact upon the Company.

On September 15, 2003, the Company and Sterling Drug were 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. On February 10, 2004, the Company (through its subsidiary NPEC) joined the Cooperating Parties Group (CPG) and entered into a 122(h) Agreement under CERCLA on June 22, 2004, and a Consent Order with the USEPA on May 8, 2007, based on the Company's ownership of Sterling Drug from 1988 to 1994 and retention of certain Sterling Drug liabilities and a defense and indemnification agreement between the Company and Bayer, which purchased all stock in Sterling Drug (now STWB). On February 29, 2012, the Company notified the EPA, STWB, Bayer, and the CPG that under the bankruptcy proceeding, it has elected to discontinue funding and participation in the remedial investigation being implemented by the CPG pursuant to the EPA Order. Bayer and STWB have filed proofs of claim in this matter. Based on currently available information, the Company has been unable to reasonably estimate a range of loss pertaining to this matter.

On February 4, 2009, the Company and Sterling Drug were also named as third-party defendants (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 (New Jersey Department of Environmental Protection, et al. v. Occidental Chemical Corp., et al.). 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. The Company has filed a suggestion of bankruptcy with the court. On April 16, 2012, the Company notified the Joint Defense Group ("JDG"), STWB, Bayer, and outside counsel that under the bankruptcy proceeding, it has elected to discontinue funding the defense of claims against STWB and will no longer participate in the JDG. Bayer, STWB, Maxis and Tierra have filed proofs of claim in this matter. Refer to Note 9, "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, Research in Motion, Ltd., and Research in Motion Corp. v. Eastman Kodak Company. 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. 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. In a hearing on March 8, 2012, the Bankruptcy Court granted RIM's motion and lifted the stay. On June 8, 2012, RIM notified the Court that it was withdrawing its inequitable conduct claims as to the '218 and '335 patents. On September 14, 2012, RIM filed a motion for partial summary judgment seeking a declaration that as a matter of law RIM does not infringe the '218 patent, the asserted claims of the '218 patent are invalid, RIM is licensed to the '161 patent and Kodak's rights to that patent are exhausted, and Kodak's proposed royalty base is improper. On October 1, 2012, the Judge issued a Markman Order adopting the Company's claim constructions in their entirety for two of the three patents in suit and creating its own claim constructions for the third patent which are favorable to the Company. On October 15, 2012, the Judge denied RIM's motion. The Court set trial for December 3, 2012.

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 May 21, 2012, the ALJ issued the remand initial determination, finding infringement by all of the accused RIM products and the Apple iPhone 3G, and finding the asserted claim of the '218 patent to be invalid. On June 4, 2012, the Company, the Commission Investigative Attorney, Apple and RIM each petitioned the Commission for review of the ALJ's remand initial determination. On July 20, 2012, the Commission affirmed, on modified grounds, the ALJ's remand initial determination, finding infringement of the '218 patent by the accused RIM devices and the Apple iPhone 3G, and finding invalidity of the asserted claim. On August 7, 2012, the Company filed a Notice of Appeal to the Court of Appeals for the Federal Circuit on the invalidity determination.

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 January 14, 2010 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. The counterclaim has been stayed as a result of Kodak's chapter 11 filing.

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 with respect to one of the patents. 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 July 23, 2012, the Federal Circuit conducted oral argument and on July 23, 2012 issued a Rule 36 affirmance of the Commission's determination without an opinion.

On April 15, 2010 Apple also filed in Federal District Court in the Northern District of California a complaint asserting infringement of the same patents asserted in the April 15, 2010 ITC action, (Apple Inc. v. Eastman Kodak Company). This case has been stayed pending the April 15, 2010 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 January 14, 2010 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. The case has been stayed pending resolution of Kodak's companion January 14, 2010 ITC action.

On January 19, 2012, Apple appeared in U.S. Bankruptcy Court in the Southern District of New York and asserted that it was the owner of the patent asserted by Kodak against Apple in the January 14, 2010 ITC Investigation referenced above and potentially other Kodak patents. On February 14, 2012, Apple filed two motions in the US Bankruptcy Court to lift the automatic stay resulting from our chapter 11 filing. The first motion was related to its claim of ownership of the '218 patent. The second motion sought to lift the bankruptcy stay to file an ITC action and corresponding district court action with respect to alleged post-petition patent infringement by Kodak. The two motions were denied by the Bankruptcy Court.

On March 8, 2012, at a hearing on Apple's motion to lift the automatic stay, FlashPoint Technology Inc. ("FlashPoint") alleged an ownership interest in the '218 patent. By letter dated March 16, 2012, Apple's counsel identified an additional nine Kodak patents to which it has asserted ownership. On May 14, 2012, Kodak filed a motion seeking an order from the Bankruptcy Court that Apple and FlashPoint have no ownership interest in the '218 patent and that Apple has no interest in the nine other Kodak patents to which it asserted ownership claims. At a hearing on June 13, 2012, the Bankruptcy Court denied in part Kodak's motion, suggesting that Kodak file a Complaint for an Adversary Proceeding to resolve the ownership issue.

On June 18, 2012, Kodak filed a Complaint in Bankruptcy Court instituting an Adversary Proceeding against Apple and Flashpoint seeking resolution of the ownership dispute (Eastman Kodak Company v. Apple, Inc., and Flashpoint Technology, Inc., adversarial proceeding as part of In re Eastman Kodak, et al.). On June 22, 2012, both Apple and FlashPoint filed Answers and Counterclaims. In its paper, FlashPoint alleged ownership of the ten patents in which Apple had alleged ownership interest plus three additional Kodak patents, bringing the total number of patents at issue to thirteen. On June 29, 2012, Kodak filed a Motion for Summary Judgment seeking a ruling that both Apple's and FlashPoint's ownership claims are time barred by the statute of limitations and/or laches. The Bankruptcy Court held a hearing on Kodak's motion on July 24, 2012. On August 1, 2012, the Bankruptcy Court granted Kodak's motion for summary judgment in part, finding that Apple's ownership and inventorship claims to the '218 patent and one other patent are time barred. The Bankruptcy Court also found that FlashPoint's ownership and inventorship claims to the '218 patent and four other patents are time barred. With respect to the other patents at issue, the Bankruptcy Court ruled that it was unable to grant summary judgment on the current record. On June 21, 2012, Apple filed a motion, joined by FlashPoint, in the U.S. District Court for the Southern District of New York seeking to withdraw the Advisory Proceeding from the Bankruptcy Court in an effort to have the patent ownership dispute decided in the District Court. The District Court entered an order on July 27, 2012 denying Apple's and FlashPoint's motion. On September 17, 2012, Kodak filed a renewed motion for summary judgment based on additional evidence that Apple's and FlashPoint's remaining ownership claims are time-barred. A hearing on Kodak's motion has been scheduled for October 31, 2012.

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. On February 22, 2012, the ITC ordered that an investigation be instituted to determine whether importation or sale of the accused Apple and HTC devices constitutes violation of the Tariff Act of 1930. The investigation has been assigned to ALJ Gildea. The Hearing is scheduled for February 26 – March 11, 2013. The ALJ's Final Initial Determination is due no later than May 30, 2013, and the Target Date for the Commission's Final Determination is September 30, 2013.

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. The case has been stayed pending the final decision in the January 10, 2012 ITC action referenced above.

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 case has been stayed pending the final decision in the January 10, 2012 ITC action referenced above.

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. The Company is also 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.  Based on information presently available, the Company does not believe it is reasonably possible that losses for known exposures or allowed claims could exceed current accruals by material amounts, although costs could be material to a particular quarter or year, with the possible exception of matters related to the Passaic River which is described above.

ITEM 1A. RISK FACTORS

The Company's restructuring process 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 of the Company's. We cannot assure you of the outcome of the Company's chapter 11 proceeding. Risks associated with the chapter 11 filing may adversely 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 the Personalized Imaging and Document Imaging businesses, 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 business and 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 commercial businesses in large growth markets that are positioned for technology and business model transformation, specifically, commercial inkjet (including the Company's Prosper line of products based upon the Company's STREAM technology), commercial, packaging and functional printing solutions, and enterprise services. While we believe each of these businesses has significant growth potential, commercial inkjet, packaging and functional printing and enterprise 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, or delays in implementing plans to reduce the Company's cost structure could negatively affect the Company's consolidated results of operations, financial position and liquidity.
We recognize and have communicated the need to rationalize the Company's workforce and streamline the Company's operations to a leaner more focused organization aligned with its identified emerging businesses and operations. If we fail to implement cost rationalization plans such as restructuring of resources, manufacturing, supply chain marketing, sales and administrative resources 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.

The Company's inability to effectively complete and manage 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 strategy, we are engaged in discussions with third parties regarding possible divestitures, asset sales, investments, acquisitions, strategic alliances, joint ventures, 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 buyers, sellers and partners and successfully complete transactions, some of which may be large and complex, and manage post closing issues such as the elimination of any post sale cost overhang related to divested businesses. 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.

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., Research in Motion Limited, HTC and Samsung, 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, 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. 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 print advertising and commercial 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 environment 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. Economic conditions could 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 facilitate 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. 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 can adversely affect the ability of the Company's customers to obtain financing for significant purchases, which may result in a decrease in, or cancellation of, orders for the Company's products and services. 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.
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. 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. 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 flows. 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, Personalized Imaging and Document Imaging Businesses, cash flows related to these reporting units could decline significantly and materially impact the fair value of the Personalized and Document Imaging 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.

Items 2, 3, 4 and 5.

Not applicable.

Item 6. Exhibits

(a) Exhibits required as part of this report are listed in the index appearing below.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EASTMAN KODAK COMPANY
(Registrant)

Date: October 30, 2012
/s/ Eric Samuels
Chief Accounting Officer and Corporate Controller
(Chief Accounting Officer and Authorized Signatory)

Eastman Kodak Company
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| Exhibit Number | |
|---|---|
| (3.1) | Certification of Incorporation, as amended and restated May 11, 2005<br>(Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, as filed on August 9, 2005, Exhibit 3.) |
| (3.2) | By-laws, as amended and restated October 19, 2010<br>(Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, as filed on October 28, 2010, Exhibit 3.2.) |
| (3.3) | Certificate of Designations for Eastman Kodak Company Series A Junior Participating Preferred Stock.<br>(Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date August 1, 2011, as filed on August 1, 2011, Exhibit 3.1.) |
| (4.1) | Indenture dated as of January 1, 1988 between Eastman Kodak Company and The Bank of New York as Trustee.<br>(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 25, 1988, Exhibit 4.) |
| | First Supplemental Indenture dated as of September 6, 1991, between Eastman Kodak Company and The Bank of New York as Trustee.<br>(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Exhibit 4.) |
| | Second Supplemental Indenture dated as of September 20, 1991, between Eastman Kodak Company and The Bank of New York as Trustee.<br>(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Exhibit 4.) |
| | Third Supplemental Indenture dated as of January 26, 1993, between Eastman Kodak Company and The Bank of New York as Trustee.<br>(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Exhibit 4.) |
| | Fourth Supplemental Indenture dated as of March 1, 1993, between Eastman Kodak Company and The Bank of New York as Trustee.<br>(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1993, Exhibit 4.) |
| | Fifth Supplemental Indenture, dated October 10, 2003, between Eastman Kodak Company and The Bank of New York, as Trustee.<br>(Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date October 10, 2003 as filed on October 10, 2003, Exhibit 4.) |

(4.2) Form of the 7.25% Senior Notes due 2013.
(Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date October 10, 2003 as filed on October 10, 2003, Exhibit 4.)

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| Exhibit Number | |
|---|---|
| (4.3) | Indenture, dated as of September 23, 2009, between Eastman Kodak Company and The Bank of New York Mellon, as trustee. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date September 23, 2009, as filed on September 23, 2009, Exhibit 4.1.) |
| (4.4) | Indenture, dated as of September 29, 2009, between Eastman Kodak Company and The Bank of New York Mellon, as trustee. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date September 29, 2009, as filed on September 30, 2009, Exhibit 4.1.) |
| (4.5) | Form of Warrant |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date September 29, 2009, as filed on September 30, 2009, Exhibit 10.2.) |
| (4.6) | Registration Rights Agreement, dated as of September 29, 2009. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date September 29, 2009, as filed on September 30, 2009, Exhibit 10.3.) |
| (4.7) | Purchase Agreement, dated as of September 16, 2009. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date September 29, 2009, as filed on September 30, 2009, Exhibit 10.1.) |
| (4.8) | Indenture, dated as of March 5, 2010, by and among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, as trustee. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date March 5, 2010, as filed on March 10, 2010, Exhibit 4.1.) |
| (4.9) | Security Agreement, dated as of March 5, 2010, by and among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, as collateral agent. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date March 5, 2010, as filed on March 10, 2010, Exhibit 10.1.) |
| (4.10) | Collateral Trust Agreement, dated as of March 5, 2010, by and among the Company, the Subsidiary Guarantors and the Bank of New York Mellon, as collateral agent. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date March 5, 2010, as filed on March 10, 2010, Exhibit 10.2.) |
| (4.11) | Indenture dated March 15, 2011, by and among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, as trustee. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date March 15, 2011, as filed on March 31, 2011, Exhibit 4.1.) |

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| (4.12) | Rights Agreement, dated as of August 1, 2011, between Eastman Kodak Company and Computershare Trust Company, N.A., which includes the form of Certificate of Designations of Series A Junior Participating Preferred Stock as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date August 1, 2011, as filed on August 1, 2011, Exhibit 4.2.) |

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| Exhibit Number | |
|---|---|
| (4.13) | Debtor-In-Possession Credit Agreement, dated as of January 20, 2012 (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2011, Exhibit 4.22.) |
| | Amendment No. 1 to Debtor-In-Possession Credit Agreement, dated as of January 25, 2012. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2011, Exhibit 4.23.) |
| | Amendment No. 2 to Debtor-In-Possession Credit Agreement, Amendment No. 1 to U.S. Security Agreement, and Amendment No. 1 to Canadian Security Agreement. (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K for the date March 5, 2012, as filed on March 6, 2012, Exhibit 99.1.) |
| | Amendment No. 3 to the Debtor-In-Possession Credit Agreement, dated as of April 26, 2012 (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, Exhibit 4.13.) |
| (4.14) | U.S. Security Agreement, dated January 20, 2012. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2011, Exhibit 4.24.) |
| (4.15) | Canadian Security Agreement, dated January 20, 2012. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2011, Exhibit 4.25.) |
| (4.16) | Intercreditor Agreement, dated as of January 20, 2012. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2011, Exhibit 4.26.) |
| | Eastman Kodak Company and certain subsidiaries are parties to instruments defining the rights of holders of long-term debt that was not registered under the Securities Act of 1933. Eastman Kodak Company has undertaken to furnish a copy of these instruments to the Securities and Exchange Commission upon request. |
| (10.1) | Philip J. Faraci Agreement dated November 3, 2004. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2005, Exhibit 10.) |
| | Amendment, dated February 28, 2007, to Philip J. Faraci Letter Agreement dated November 3, 2004. (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K, filed on March 1, 2007, Exhibit 99.2.) |

Second Amendment, dated December 9, 2008, to Philip J. Faraci Letter Agreement Dated November 3, 2004.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, Exhibit 10.1.)

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|---|---|
| (10.2) | Eastman Kodak Company Deferred Compensation Plan for Directors, as amended and restated effective January 1, 2009. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, Exhibit 10.2.) |
| (10.3) | Eastman Kodak Company Non-Employee Director Annual Compensation Program. The equity portion of the retainer became effective December 11, 2007; the cash portion of the retainer became effective January 1, 2008. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2007, Exhibit 10.) |
| (10.4) | 1982 Eastman Kodak Company Executive Deferred Compensation Plan, as amended and restated effective January 1, 2009. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, Exhibit 10.4.) |
| (10.5) | Eastman Kodak Company 2005 Omnibus Long-Term Compensation Plan, as amended and restated January 1, 2011. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, Exhibit 10.4.) |
| | Form of Notice of Award of Non-Qualified Stock Options pursuant to the 2005 Omnibus Long-Term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K, filed on May 11, 2005, Exhibit 10.2.) |
| | Form of Notice of Award of Restricted Stock, pursuant to the 2005 Omnibus Long-Term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K, filed on May 11, 2005, Exhibit 10.3.) |
| | Form of Notice of Award of Restricted Stock with a Deferral Feature, pursuant to the 2005 Omnibus Long-Term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, Exhibit 10.) |
| | Form of Administrative Guide for Annual Officer Stock Options Grant under the 2005 Omnibus Long-Term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005, Exhibit 10.) |

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|---|---|
| | Form of Award Notice for Annual Director Stock Option Grant under the 2005 Omnibus Long-Term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005, Exhibit 10.) |
| | |
| | Form of Award Notice for Annual Director Restricted Stock Grant under the 2005 Omnibus Long-Term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005, Exhibit 10.) |
| | |
| | Form of Administrative Guide for Leadership Stock Program under the 2005 Omnibus Long-Term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008, Exhibit 10.) |

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|---|---|
| (10.6) | Administrative Guide for the 2010 Performance Stock Unit Program under Article 7 (Performance Awards) of the 2005 Omnibus Long-Term Compensation Plan, Granted to Antonio M. Perez. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, Exhibit 10.6.) |
| | |
| (10.7) | Administrative Guide for the 2011 - 2012 Performance Cycle of the Leadership Stock Program under Article 7 (Performance Awards) of the 2005 Omnibus Long-Term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, Exhibit 10.6.) |
| | |
| (10.8) | Administrative Guide for September 16, 2008 Restricted Stock Unit Grant under the 2005 Omnibus Long-term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, Exhibit 10.9.) |
| | |
| (10.9) | Form of Administrative Guide for Restricted Stock Unit Grant under the 2005 Omnibus Long-term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, Exhibit 10.10.) |
| | |
| (10.10) | Eastman Kodak Company 1995 Omnibus Long-Term Compensation Plan, as amended, effective as of November 12, 2001. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1997, the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998, the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, the Annual Report on Form 10-K for the fiscal year ended December 31, 1999, and the Annual Report on Form 10-K for the fiscal year ended December 31, 2001, Exhibit 10.) |
| | |
| (10.11) | Kodak Executive Financial Counseling Program. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Exhibit 10.) |
| | |
| (10.12) | Personal Umbrella Liability Insurance Coverage. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Exhibit 10.) |

(10.13) Kodak Stock Option Plan, as amended and restated August 26, 2002.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2002, Exhibit 10.)

(10.14) Eastman Kodak Company 1997 Stock Option Plan, as amended effective as of March 13, 2001.
(Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001, Exhibit 10.)

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|---|---|
| (10.15) | Eastman Kodak Company 2000 Omnibus Long-Term Compensation Plan, as amended, effective January 1, 2009. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, Exhibit 10.18.) |
| | Form of Notice of Award of Non-Qualified Stock Options Granted To ________, Pursuant to the 2000 Omnibus Long-Term Compensation Plan; and Form of Notice of Award of Restricted Stock Granted To ______, Pursuant to the 2000 Omnibus Long-Term Compensation Plan. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2004, Exhibit 10.) |
| (10.16) | Administrative Guide for the 2004-2005 Performance Cycle of the Leadership Program under Article 12 of the 2000 Omnibus Long-Term Compensation Plan, as amended January 1, 2009. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, Exhibit 10.19.) |
| (10.17) | Administrative Guide for the 2004-2005 Performance Cycle of the Leadership Program under Section 13 of the 2000 Omnibus Plan, as amended January 1, 2009. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, Exhibit 10.20.) |
| (10.18) | Eastman Kodak Company Executive Compensation for Excellence and Leadership Plan, as amended and restated January 1, 2010. |
| | (Incorporated by reference to the Eastman Kodak Company Notice of 2010 Annual Meeting and Proxy Statement, Exhibit II.) |
| (10.19) | Eastman Kodak Company Executive Protection Plan, as amended December 21, 2010, effective December 23, 2010. |
| | (Incorporated by reference to the Eastman Kodak Annual Report on Form 10-K for the fiscal year ended December 31, 1999, Exhibit 10.) |
| (10.20) | Eastman Kodak Company Estate Enhancement Plan, as adopted effective March 6, 2000. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1999, Exhibit 10.) |
| (10.21) | Antonio M. Perez Agreement dated March 3, 2003. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003, Exhibit 10 Z.) |

Letter dated May 10, 2005, from the Chair, Executive Compensation and Development Committee, to Antonio M. Perez.
(Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K, filed on May 11, 2005, Exhibit 10.2.).

Notice of Award of Restricted Stock with a Deferral Feature Granted to Antonio M. Perez, effective June 1, 2005, pursuant to the 2005 Omnibus Long-Term Compensation Plan.
(Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, Exhibit 10 CC.)

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| Exhibit Number | |
|---|---|
| | Amendment, dated February 27, 2007, to Antonio M. Perez Letter Agreement dated March 3, 2003. |
| | (Incorporated by reference to the Eastman Kodak Company Current Report on Form 8-K, filed on March 1, 2007, Exhibit 99.1). |
| | |
| | Second Amendment, dated December 9, 2008, to Antonio M. Perez Letter Agreement dated March 3, 2003. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, Exhibit 10.24.) |
| | |
| | Amendment, dated September 28, 2009, to Antonio M. Perez Letter Agreement dated March 3, 2003. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009.) |
| | |
| (10.22) | Antoinette P. McCorvey Waiver Letter Re: Eastman Kodak Company Executive Protection Plan dated October 11, 2010. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2010, Exhibit 10.) |
| | |
| (10.23) | Asset Purchase Agreement between Eastman Kodak Company and Onex Healthcare Holdings, Inc., dated as of January 9, 2007. |
| | |
| | Amendment No. 1 To the Asset Purchase Agreement. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007, Exhibit 10 CC.) |
| | |
| (10.24) | Administrative Guide For September 28, 2009 Restricted Stock Unit (RSU) Grant under the 2005 Omnibus Long-Term Compensation Plan (For Executives). |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009.) |
| | |
| (10.25) | Administrative Guide For September 28, 2009 Restricted Stock Unit (RSU) Grant under the 2005 Omnibus Long-Term Compensation Plan (For Executive Council and Operations Council Members). |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009.) |
| | |
| (10.26) | Administrative Guide For September 28, 2009 Restricted Stock Unit (RSU) Grant under the 2005 Omnibus Long-Term Compensation Plan (Hold Until Retirement Provision). |

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|---|---|
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009.) |
| (10.27) | Administrative Guide for the 2011 Performance Stock Unit Program under Article 7 (Performance Awards) of the 2005 Omnibus Long-Term Compensation Plan, Granted to Antonio M. Perez. |
| | (Incorporated by reference to the Eastman Kodak Company Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011.) |
| (10.28) | Laura G, Quatela Waiver Letter Re: Eastman Kodak Company Executive Protection Plan dated November 8, 2010. |
| | (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2010, Exhibit 10.) |

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| Exhibit Number | |
|---|---|
| (10.29) | Laura Quatela Agreement, dated October 31, 2011. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2011, Exhibit 10.41.) |
| (10.30) | Robert Berman Letter Agreement, dated December 8, 2011. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 2011, Exhibit 10.42.) |
| (12) | Statement regarding Computation of Ratio of Earnings to Fixed Charges - filed herewith. |
| (31.1) | Certification – filed herewith. |
| (31.2) | Certification – filed herewith. |
| (32.1) | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – filed herewith. |
| (32.2) | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – filed herewith. |
| (101.CAL*) | XBRL Taxonomy Extension Calculation Linkbase |
| (101.INS*) | XBRL Instance Document |
| (101.LAB*) | XBRL Taxonomy Extension Label Linkbase |
| (101.PRE*) | XBRL Taxonomy Extension Presentation Linkbase |
| (101.SCH*) | XBRL Taxonomy Extension Schema Linkbase |
| (101.DEF*) | XBRL Taxonomy Extension Definition Linkbase |

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement of prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.