

EASTMAN KODAK CO  
Form 10-Q  
August 05, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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  
(State of incorporation)

16-0417150  
(IRS Employer Identification No.)

343 STATE STREET, ROCHESTER, NEW  
YORK  
(Address of principal executive offices)

14650  
(Zip Code)

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

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

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for the past 90 days. Yes  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  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  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

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 August 1, 2014
Common Stock, \$0.01 par value	41,729,327

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EASTMAN KODAK COMPANY  
Form 10-Q

June 30, 2014

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## Part I. FINANCIAL INFORMATION

## Item 1. Financial Statements

EASTMAN KODAK COMPANY  
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
Revenues				
Sales	\$ 429	\$ 472	\$ 818	\$ 961
Services	96	111	191	216
Total revenues	525	583	1,009	1,177
Cost of revenues				
Sales	350	365	671	726
Services	73	85	147	169
Total cost of revenues	423	450	818	895
Gross profit	102	133	191	282
Selling, general and administrative expenses	85	115	172	233
Research and development costs	26	25	53	50
Restructuring costs and other	20	29	33	40
Other operating income, net	-	(1 )	-	(495 )
(Loss) earnings from continuing operations before interest expense, other income (charges), net, reorganization items, net and income taxes	(29 )	(35 )	(67 )	454
Interest expense	16	47	32	72
Loss on early extinguishment of debt	-	-	-	6
Other charges, net	(2 )	(3 )	(3 )	(10 )
Reorganization items, net	5	72	10	192
(Loss) earnings from continuing operations before income taxes	(52 )	(157 )	(112 )	174
Provision for income taxes	8	51	-	58
(Loss) earnings from continuing operations	(60 )	(208 )	(112 )	116
(Loss) earnings from discontinued operations, net of income taxes	(2 )	(16 )	17	(57 )
Net (loss) earnings	(62 )	(224 )	(95 )	59
Less: Net income attributable to noncontrolling interests	-	-	3	-
NET (LOSS) EARNINGS ATTRIBUTABLE TO EASTMAN KODAK COMPANY	\$ (62 )	\$ (224 )	\$ (98 )	\$ 59

Basic and diluted net (loss) earnings per share  
 attributable to Eastman Kodak Company  
 common shareholders:

Continuing operations	\$ (1.44 )	\$ (0.76 )	\$ (2.76 )	\$ 0.43
Discontinued operations	(0.05 )	(0.06 )	0.41	(0.21 )
Total	\$ (1.49 )	\$ (0.82 )	\$ (2.35 )	\$ 0.22

Number of common shares used in basic and  
 diluted net (loss) earnings per share

41.7	272.8	41.7	272.7
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The accompanying notes are an integral part of these consolidated financial statements.

EASTMAN KODAK COMPANY  
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME (Unaudited)

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
NET (LOSS) EARNINGS	\$(62 )	\$(224 )	\$(95 )	\$59
Other comprehensive (loss) income, net of tax:				
Currency translation adjustments	6	(16 )	7	15
Unrealized gains from investment, net of tax of \$0 for all periods presented	1	-	1	-
Pension and other postretirement benefit plan obligation activity, net of tax of \$1 and \$23 for the three months ended June 30, 2014 and 2013, respectively, and \$1 and \$30 for the six months ended June 30, 2014 and 2013, respectively	(15 )	407	(15 )	448
Total comprehensive (loss) income, net of tax	(70 )	167	(102 )	522
Less: comprehensive income attributable to noncontrolling interest	-	-	3	-
COMPREHENSIVE (LOSS) INCOME, NET OF TAX ATTRIBUTABLE TO EASTMAN KODAK COMPANY	\$(70 )	\$167	\$(105 )	\$522

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

EASTMAN KODAK COMPANY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

(in millions)

	As of June 30, 2014	As of December 31, 2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$768	\$844
Restricted cash	15	35
Receivables, net	464	571
Inventories, net	416	358
Deferred income taxes	44	48
Assets held for sale	33	95
Other current assets	22	20
Total current assets	1,762	1,971
Property, plant and equipment, net of accumulated depreciation of \$163 and \$67, respectively	600	684
Goodwill	96	88
Intangible assets, net of accumulated amortization of \$21 and \$8, respectively	206	219
Restricted cash	39	79
Deferred income taxes	51	54
Other long-term assets	99	105
<b>TOTAL ASSETS</b>	<b>\$2,853</b>	<b>\$3,200</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable, trade	\$234	\$281
Current portion of long-term debt	4	4
Liabilities held for sale	21	38
Other current liabilities	486	562
Total current liabilities	745	885
Long-term debt, net of current portion	673	674
Pension and other postretirement liabilities	523	572
Other long-term liabilities	364	421
Total Liabilities	2,305	2,552
Commitments and Contingencies (Note 5)		
Equity		
Common stock, \$0.01 par value	-	-
Additional paid in capital	615	613
Accumulated deficit	(179)	(81)
Accumulated other comprehensive income	92	99
	528	631
Less: Treasury stock, at cost	(3)	(3)
Total Eastman Kodak Company shareholders' equity	525	628

Noncontrolling interests	23	20
Total equity	548	648
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$2,853</b>	<b>\$3,200</b>

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



EASTMAN KODAK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(in millions)

	Six Months Ended June 30,	
	Successor 2014	Predecessor 2013
Cash flows from operating activities:		
Net (loss) earnings	\$ (98 )	\$ 59
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	112	95
Net gain on sales of businesses/assets	(22 )	(569 )
Loss on early extinguishment of debt	-	6
Non-cash restructuring costs, asset impairments and other charges	2	81
Non-cash reorganization items, net	(8 )	91
Provision for deferred income taxes	2	32
Decrease in receivables	113	73
Increase in inventories	(58 )	(18 )
Decrease in liabilities excluding borrowings	(190 )	(258 )
Other items, net	15	6
Total adjustments	(34 )	(461 )
Net cash used in operating activities	(132 )	(402 )
Cash flows from investing activities:		
Additions to properties	(13 )	(16 )
Proceeds from sales of businesses/assets	16	537
Release of restricted cash	60	2
Marketable securities - sales	-	18
Marketable securities - purchases	-	(17 )
Net cash provided by investing activities	63	524
Cash flows from financing activities:		
Repayment of emergence credit facilities	(2 )	-
Proceeds from DIP Credit Agreements	-	450
Repayment of term loans under Original Senior DIP Credit Agreement	-	(664 )
Repayment of term loans under Junior DIP Credit Agreement	-	(4 )
Net cash used in financing activities	(2 )	(218 )
Effect of exchange rate changes on cash	(5 )	(24 )
Net decrease in cash and cash equivalents	(76 )	(120 )
Cash and cash equivalents, beginning of period	844	1,135
Cash and cash equivalents, end of period	\$ 768	\$ 1,015

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



EASTMAN KODAK COMPANY  
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 the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited consolidated interim financial statements 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 (“EKC” or the “Company”) and all companies directly or indirectly controlled, either through majority ownership or otherwise (collectively, “Kodak”). The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. These consolidated interim financial statements should be read in conjunction with Kodak’s Annual Report on Form 10-K for the year ended December 31, 2013.

Effective August 31, 2013, Kodak sold certain utilities and related facilities and entered into utilities supply and servicing arrangements with RED-Rochester, LLC (“RED”), a variable interest entity (“VIE”). Kodak determined that it was the primary beneficiary of the VIE. Therefore, Kodak consolidates RED’s assets, liabilities and results of operations. Consolidated assets and liabilities of RED are \$79 million and \$2 million, respectively, as of June 30, 2014 and \$85 million and \$3 million, respectively, as of December 31, 2013. RED’s equity in those net assets as of June 30, 2014 and December 31, 2013 is \$21 million and \$18 million, respectively. The results of operations and cash flows of RED are immaterial to Kodak. RED’s results of operations are reflected in net income attributable to noncontrolling interest in the accompanying Consolidated Statement of Operations.

On January 19, 2012 (the “Petition Date”), the 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”). The cases (the “Chapter 11 Cases”) were jointly administered as Case No. 12-10202 (ALG) under the caption “In re Eastman Kodak Company.” The Debtors operated their businesses as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of chapter 11 of the Bankruptcy Code and the orders of the Bankruptcy Court until their emergence from bankruptcy. The Company’s foreign subsidiaries (collectively, the “Non-Filing Entities”) were not part of the Chapter 11 Cases, and continued to operate in the ordinary course of business.

Upon emergence from bankruptcy on September 3, 2013, Kodak applied the provisions of fresh start accounting which resulted in Kodak becoming a new entity for financial reporting purposes. Kodak applied fresh start accounting as of September 1, 2013. Accordingly, the consolidated financial statements on or after September 1, 2013 are not comparable to the consolidated financial statements prior to that date. References to “Successor” or “Successor Company” relate to the reorganized Kodak subsequent to September 3, 2013. References to “Predecessor” or “Predecessor Company” relate to Kodak prior to September 3, 2013.

Reclassifications and Adjustments

Certain amounts for prior periods have been reclassified to conform to the current period classification. In the first quarter of 2014, Kodak increased the value of goodwill determined as part of fresh start accounting by \$8 million to

correct for a liability that should have been recorded at emergence.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 (“ASU 2014-09”), “Revenue from Contracts with Customers (Topic 606).” ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition” and most industry-specific guidance. The core principal of ASU 2014-09 is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 (January 1, 2017 for Kodak) and allows either a full retrospective adoption to all periods presented or a modified retrospective adoption approach with the cumulative effect of initial application of the revised guidance recognized at the date of initial application. Kodak is currently evaluating the impact of this ASU.

In April 2014, the FASB issued ASU No. 2014-08 (“ASU 2014-08”), “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360).” ASU 2014-08 defines a discontinued operation as a disposal of a component (or group of components) of an entity that was disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. A business activity that, upon acquisition, qualifies as held for sale will also be a discontinued operation. Presentation as a discontinued operation will no longer be precluded if there are operations and cash flows of the component that have not been eliminated from ongoing operations or if there is significant continuing involvement with the component. ASU 2014-08 introduces several new disclosures including disclosing cash flow information of discontinued operations either in the statement of cash flows or in a note, expanded disclosure when an entity retains a significant continuing involvement with a discontinued operation as well as for disposals of individually material components that do not qualify as discontinued operations. The amendments in the update are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014 (January 1, 2015 for Kodak) to new disposals and new classifications of disposal groups as held for sale after the effective date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. Kodak does not expect the adoption of this guidance to have a material impact on its Consolidated Financial Statements.

## NOTE 2: REORGANIZATION ITEMS, NET

A summary of reorganization items, net is presented in the following table:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
Professional fees	\$ 3	\$ 41	\$ 8	\$ 99
Provision for expected allowed claims	(1 )	38	(1 )	100
Other items, net	3	(7 )	3	(7 )
Reorganization items, net	\$ 5	\$ 72	\$ 10	\$ 192
Cash payments for reorganization items	\$ 8	\$ 58	\$ 18	\$ 101

Costs directly attributable to the implementation of the plan of reorganization are reported as Reorganization items, net.

## NOTE 3: RECEIVABLES, NET

(in millions)	As of	
	June 30, 2014	December 31, 2013
Trade receivables	\$381	\$473
Miscellaneous receivables	83	98
Total (net of allowances of \$9 and \$6 as of June 30, 2014 and December 31, 2013, respectively)	\$464	\$571

Approximately \$31 million and \$39 million of the total trade receivable amounts as of June 30, 2014 and December 31, 2013, 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 in the accompanying Consolidated Statement of Financial Position.

## NOTE 4: INVENTORIES, NET

(in millions)	As of	
	June 30, 2014	December 31, 2013
Finished goods	\$224	\$185
Work in process	94	94
Raw materials	98	79
Total	\$416	\$358



## NOTE 5: COMMITMENTS AND CONTINGENCIES

## Environmental

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

(in millions)	June 30, 2014	As of December 31, 2013
Eastman Business Park site, Rochester, NY	\$-	\$49
Other current operating sites	8	8
Sites associated with former operations	12	13
Sites associated with the non-imaging health businesses sold in 1994	11	12
Total	\$31	\$82

These amounts are reported in Other long-term liabilities in the accompanying Consolidated Statement of Financial Position.

Cash expenditures for 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 Kodak's best estimate of the amount it will incur under the agreed-upon or proposed work plans. Kodak'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 at least once a year and as significant events occur. Kodak's estimate includes investigations, equipment and operating costs for remediation and long-term monitoring of the sites.

On June 17, 2013, the Company, the New York State Department of Environmental Conservation and the New York State Urban Development Corporation, d/b/a Empire State Development entered into a settlement agreement, subsequently amended on August 6, 2013 (the "Amended EBP Settlement Agreement"). The Amended EBP Settlement Agreement was subject to the satisfaction or waiver of certain conditions including a covenant not to sue from the U.S. Environmental Protection Agency ("EPA"). On May 13, 2014, the Bankruptcy Court approved the U.S. Environmental Settlement, which contained the EPA covenant not to sue, and on May 20, 2014 the Amended EBP Settlement Agreement was implemented and became effective. The Amended EBP Settlement Agreement included a settlement of certain of the Company's historical environmental liabilities at Eastman Business Park ("EBP") through the establishment of the EBP Trust as follows: (i) the EBP Trust is responsible for investigation and remediation at EBP arising from the Company's historical subsurface environmental liabilities in existence prior to the effective date of the Amended EBP Settlement Agreement, (ii) the Company funded the EBP Trust on the effective date with a \$49 million cash payment and transferred certain equipment and fixtures used for remediation at EBP and (iii) in the event the historical liabilities exceed \$99 million, the Company will become liable for 50% of the portion above \$99 million. Prior to the implementation of the Amended EBP Settlement Agreement, \$49 million was already held in a separate trust and escrow account.

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 potentially responsible parties. Based on information presently available, Kodak does not believe that losses for known exposures could reasonably be expected to exceed current accruals by material amounts, although costs could be material to a particular quarter or year.



## Other Commitments and Contingencies

As of June 30, 2014, the Company had outstanding letters of credit of \$120 million issued under the Asset Based Revolving Credit Agreement (the "ABL Credit Agreement"), as well as bank guarantees and letters of credit of \$7 million, surety bonds in the amount of \$22 million, and cash deposits of \$60 million, primarily to ensure the payment of possible casualty and workers' compensation claims, legal contingencies, rental payments, foreign exchange contracts and to support various customs, tax and trade activities. The cash deposits are recorded within Restricted cash and Other long-term assets in the Consolidated Statement of Financial Position.

Kodak'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. Kodak is disputing these matters and intends to vigorously defend its position. Kodak 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 June 30, 2014, 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 \$51 million.

In connection with assessments in Brazil, local regulations may require Kodak to post security for a portion of the amounts in dispute. As of June 30, 2014, Kodak has posted security composed of \$10 million of pledged cash reported within long-term Restricted cash in the Consolidated Statement of Financial Position and liens on certain Brazilian assets with a net book value of approximately \$111 million. Generally, any encumbrances on the Brazilian assets would be removed to the extent the matter is resolved in Kodak's favor.

Kodak is 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. Kodak 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 Kodak's products. These matters are in various stages of investigation and litigation, and are being vigorously defended. Kodak is in the process of resolving any remaining litigation that was stayed as a result of the chapter 11 filing, in accordance with the Bankruptcy Code and the orders of the Bankruptcy Court. Kodak does not believe that it is probable 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, although litigation is inherently unpredictable. Therefore, judgments could be rendered or settlements entered that could adversely affect Kodak's operating results or cash flows in a particular period. Kodak 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 6: GUARANTEES

Kodak 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 Kodak. At June 30, 2014, the maximum potential amount of future payments (undiscounted) that Kodak could be required to make under these customer-related guarantees was \$6 million. At June 30, 2014, the carrying amount of any liability related to these customer guarantees was not material.

The customer financing agreements and related guarantees, which mature between 2014 and 2017, 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 Kodak only in the event of default on payment by the respective customer. In some cases, particularly for guarantees related to equipment financing,

Kodak 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 may not cover the maximum potential loss under these guarantees.

EKC also guarantees obligations to third parties for some of its consolidated subsidiaries. The maximum amount guaranteed, and the outstanding amount for those guarantees, is \$68 million.

In connection with the settlement of certain of the Company's historical environmental liabilities at EBP and in accordance with the terms of the Amended EBP Settlement Agreement, in the event the historical liabilities exceed \$99 million, the Company will become liable for 50% of the portion above \$99 million with no limitation to the maximum potential future payments. There is no liability recorded for this guarantee.

## Warranty Costs

Kodak 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. Kodak 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 Kodak'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, 2013	\$13
Actual warranty experience during 2014	(10 )
2014 warranty provisions	4
Accrued warranty obligations as of June 30, 2014	\$7

Kodak 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. Kodak provides repair services and routine maintenance under these arrangements. Kodak 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. The change in Kodak's deferred revenue balance in relation to these extended warranty and maintenance arrangements from December 31, 2013 to June 30, 2014, 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, 2013	\$30
New extended warranty and maintenance arrangements in 2014	99
Recognition of extended warranty and maintenance arrangement revenue in 2014	(100 )
Deferred revenue on extended warranties as of June 30, 2014	\$29

## NOTE 7: OTHER OPERATING INCOME, NET

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
(Income) expenses:				
Gain on sale of digital imaging patent portfolio	\$-	\$-	\$-	\$(535 )
Goodwill impairment (1)	-	-	-	77
Gain on sale of property in Mexico (2)	-	-	-	(34 )
Other	-	(1 )	-	(3 )
Total	\$-	\$(1 )	\$-	\$(495 )

- (1) Kodak recorded an impairment charge of \$77 million related to the Intellectual Property and Brand Licensing reporting unit related to the sale of its digital imaging patents during the first quarter of 2013.
- (2) In March 2012, Kodak 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 \$34 million was deferred due to Kodak's continuing involvement in the property for the remainder of the lease term. In March 2013, the deferred gain was recognized as the lease term expired.

## NOTE 8: INCOME TAXES

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
(Loss) earnings from continuing operations before income taxes	\$(52 )	\$(157 )	\$(112 )	\$174
Effective tax rate	(15.7 )%	(32.5 )%	0.0 %	33.3 %
Provision for income taxes	8	51	-	58
(Benefit) provision for income taxes @ 35%	(18 )	(55 )	(39 )	61
Difference between tax at effective vs. statutory rate	\$26	\$106	\$39	\$(3 )

For the three months ended June 30, 2014, the difference between the Company's recorded provision 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.

For the six months ended June 30, 2014, the difference between the Company's recorded provision 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. for which no benefit was recognized, offset by income in certain jurisdictions outside the U.S. for which no provision 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 Kodak reaching a settlement with a taxing authority in a location outside the U.S. related to withholding taxes, and (3) a benefit associated with foreign withholding taxes on undistributed earnings.

For the three months ended June 30, 2013, the difference between the Company's recorded provision 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 withholding taxes on foreign dividends paid, (3) a benefit associated with foreign withholding taxes on undistributed earnings, and (4) a provision associated with the establishment of a deferred tax asset valuation allowance outside the U.S.

During the three months ended June 30, 2013, 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 \$45 million associated with the establishment of a valuation allowance on those deferred tax assets.

For the six months ended June 30, 2013, the difference between the Company's recorded provision and the provision that would result from applying the U.S. statutory rate of 35.0% is primarily attributable to: (1) income generated within the U.S. for which no provision was recognized, offset by losses generated within 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 withholding taxes on the sale of intellectual property, (3) a benefit associated with the tax impact of the goodwill impairment recognized during the six-month period (4) a provision associated with withholding taxes on foreign dividends paid, (5) a benefit associated with

foreign withholding taxes on undistributed earnings, (6) a provision associated with the establishment of a deferred tax asset valuation allowance outside the U.S., and (7) changes in audit reserves.

## NOTE 9: RESTRUCTURING LIABILITIES

Charges for restructuring activities are recorded in the period in which Kodak 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 half of 2014 included steps toward exiting a plate manufacturing facility in the UK. In addition, actions were initiated to reduce Kodak's cost structure as part of its commitment to drive sustainable profitability and included a workforce reduction in France, manufacturing capacity reductions in the U.S. and various targeted reductions in service, sales, research and development 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 six months ended June 30, 2014 were as follows:

(in millions)	Severance Reserve	Exit Costs Reserve	Long-lived Asset Impairments and Inventory Write-downs	Total
Balance as of December 31, 2013	\$26	\$8	\$ -	\$ 34
Q1 2014 charges - continuing operations	11	1	1	13
Q1 utilization/cash payments	(11 )	(3 )	(1 )	(15 )
Balance as of March 31, 2014	\$26	\$6	\$ -	\$ 32
Q2 2014 charges - continuing operations	19	1	-	20
Q2 utilization/cash payments	(9 )	(1 )	-	(10 )
Balance as of June 30, 2014	\$36	\$6	\$ -	\$ 42

For the three months ended June 30, 2014, the \$20 million of charges were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations. The severance and exit costs reserves require the outlay of cash.

The severance costs for the three months ended June 30, 2014 related to the elimination of approximately 200 positions, including approximately 100 manufacturing/service positions, 25 research and development positions and 75 administrative positions. The geographic composition of these positions includes approximately 50 in the United States and Canada and 150 throughout the rest of the world.

For the six months ended June 30, 2014, the \$33 million of charges were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations. The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments and inventory write-downs represent non-cash items.

The severance costs for the six months ended June 30, 2014 related to the elimination of approximately 400 positions, including approximately 225 manufacturing/service positions, 50 research and development positions and 125 administrative positions. The geographic composition of these positions includes approximately 200 in the United

States and Canada and 200 throughout the rest of the world.

As a result of these initiatives, the majority of the severance will be paid during periods through the end of 2014. However, 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 2014 and beyond.



## NOTE 10: RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

Components of the net periodic benefit cost for all major U.S. and Non-U.S. defined benefit plans are as follows:

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	Successor 2014		Predecessor 2013		Successor 2014		Predecessor 2013	
	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	\$ 5	\$ 1	\$ 8	\$ 3	\$ 9	\$ 3	\$ 16	\$ 5
Interest cost	47	8	43	35	94	16	86	71
Expected return on plan assets	(77 )	(10 )	(86 )	(40 )	(154 )	(20 )	(173 )	(80 )
Amortization of:								
Prior service cost	-	-	-	-	-	-	-	1
Net actuarial loss	-	-	50	21	-	-	99	42
Pension (income) expense before curtailments	(25 )	(1 )	15	19	(51 )	(1 )	28	39
Curtailment loss	-	-	1	13	-	-	1	13
Net pension (income) expense	(25 )	(1 )	16	32	(51 )	(1 )	29	52
Other plans including unfunded plans								
	-	1	-	2	-	3	-	8
Total net pension (income) expense	\$ (25 )	\$ -	\$ 16	\$ 34	\$ (51 )	\$ 2	\$ 29	\$ 60

The pension (income) expense before curtailments reported above for the three and six months ended June 30, 2013 includes \$14 million and \$29 million respectively, of expense which was reported as Discontinued operations.

Kodak made contributions (funded plans) or paid benefits (unfunded plans) totaling approximately \$5 million relating to its major U.S. and non-U.S. defined benefit pension plans for the six months ended June 30, 2014. Kodak 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 2014 to be approximately \$11 million.

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
	Service cost	\$-	\$-	\$-
Interest cost	1	1	2	2

Amortization of:						
Prior service credit	-	(29	)	-	(57	)
Net actuarial loss	-	2	-	3		
Total net postretirement benefit expense (income)	\$1	\$(26	)	\$2	\$(52	)

Kodak paid benefits, net of participant contributions, totaling \$4 million relating to its major postretirement benefit plans for the six months ended June 30, 2014. Kodak expects to pay benefits, net of participant contributions, of approximately \$5 million for these postretirement plans for the remainder of 2014.

## NOTE 11: EARNINGS PER SHARE

Basic earnings per share computations are based on the weighted-average number of shares of common stock outstanding during the period. Weighted-average basic and diluted shares outstanding were 41.7 million and 272.8 million for the three months ended June 30, 2014 and 2013, respectively and 41.7 million and 272.7 million for the six months ended June 30, 2014 and 2013, respectively.

As a result of the net loss from continuing operations presented for the three months and six months ended June 30, 2014, Kodak 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. If Kodak had reported earnings from continuing operations for the three months and six months ended June 30, 2014, the following potential shares of its common stock would have been dilutive in the computation of diluted earnings per share:

(in millions of shares)	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Unvested share-based awards	0.3	0.3
Warrants to purchase common shares	1.8	1.9
Total	2.1	2.2

As a result of the net loss from continuing operations reported by the Predecessor Company for the three months ended June 30, 2013, Kodak calculated diluted earnings per share using weighted-average basic shares outstanding for that period, as utilizing diluted shares would be anti-dilutive to loss per share.

If the Predecessor Company had reported earnings from continuing operations for the quarter ended June 30, 2013, no additional shares of common stock from unvested share-based awards and assumed conversion of (1) approximately 7.6 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 have been included in the computation of diluted earnings per share since they were all anti-dilutive.

The Predecessor Company reported earnings from continuing operations for the six months ended June 30, 2013. However, no additional shares of common stock from unvested share-based awards and the assumed conversion of (1) approximately 7.6 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 were included in the computation of diluted earnings per share, as these securities were anti dilutive.

## NOTE 12: SHAREHOLDERS' EQUITY

Kodak has 560 million shares of authorized stock, consisting of: (i) 500 million shares of common stock, par value \$0.01 per share and (ii) 60 million shares of preferred stock, no par value, issuable in one or more series. As of June 30, 2014 and December 31, 2013, there were 41.7 and 41.6 million shares of common stock and no shares of preferred stock issued and outstanding, respectively. Treasury stock consisted of approximately 0.2 million shares at both June 30, 2014 and December 31, 2013.

## NOTE 13: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in Accumulated other comprehensive income (loss) by component, net of tax, were as follows:

(in millions)	Three Months Ended June 30, 2014 (Successor)			Total
	Unrealized Gains (Losses) Related to Available-for-Sale Securities	Currency Translation Adjustments	Pension and Other Postretirement Benefit Plan Obligation Changes	
Beginning balance	\$-	\$ 2	\$ 98	\$100
Other comprehensive income before reclassifications	1	6	(15 )	(8 )
Amounts reclassified from accumulated other comprehensive income	-	-	-	-
Net current-period other comprehensive income	1	6	(15 )	(8 )
Ending balance	\$1	\$ 8	\$ 83	\$92

(in millions)	Six Months Ended June 30, 2014 (Successor)			Total
	Unrealized Gains (Losses) Related to Available-for-Sale Securities	Currency Translation Adjustments	Pension and Other Postretirement Benefit Plan Obligation Changes	
Beginning balance	\$-	\$ 1	\$ 98	\$99
Other comprehensive income before reclassifications	1	7	(15 )	(7 )
Amounts reclassified from accumulated other comprehensive income	-	-	-	-
Net current-period other comprehensive income	1	7	(15 )	(7 )
Ending balance	\$1	\$ 8	\$ 83	\$92

(in millions)

	Three Months Ended June 30, 2013 (Predecessor)				
	Unrealized Gains (Losses) Related to Available-for-Sale Securities	Unrealized Gains (Losses) from Hedging Activity	Currency Translation Adjustments	Pension and Other Postretirement Benefit Plan Obligation Changes	Total
Beginning balance	\$1	\$(2 )	\$ 349	\$ (2,892 )	\$(2,544 )
Other comprehensive income before reclassifications	-	-	(16 )	361	345
Amounts reclassified from accumulated other comprehensive income	-	-	-	46	46
Net current-period other comprehensive income	-	-	(16 )	407	391
Ending balance	\$1	\$(2 )	\$ 333	\$ (2,485 )	\$(2,153 )

(in millions)

	Six Months Ended June 30, 2013 (Predecessor)				
	Unrealized Gains (Losses) Related to Available-for-Sale Securities	Unrealized Gains (Losses) from Hedging Activity	Currency Translation Adjustments	Pension and Other Postretirement Benefit Plan Obligation Changes	Total
Beginning balance	\$1	\$(2 )	\$ 318	\$ (2,933 )	\$(2,616 )
Other comprehensive income before reclassifications	-	-	15	362	377
Amounts reclassified from accumulated other comprehensive income	-	-	-	86	86
Net current-period other comprehensive income	-	-	15	448	463
Ending balance	\$1	\$(2 )	\$ 333	\$ (2,485 )	\$(2,153 )

The following amounts were reclassified out of Accumulated other comprehensive income (loss):

(in millions)	Three Months Ended June 30,		
	Successor 2014 Amount Reclassified from Accumulated Other Comprehensive Income	Predecessor 2013 Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statement of Operations
Pension and other postretirement benefit obligation changes:			
Amortization of prior-service credit	\$ -	\$ (29)	(a)
Amortization of actuarial losses	-	73	(a)
Recognition of losses due to settlements	-	14	(a)
	-	58	Total before tax
	-	12	Tax provision
Reclassifications for the period	\$ -	\$ 46	Net of tax

(in millions)	Six Months Ended June 30,		
	Successor 2014 Amount Reclassified from Accumulated Other Comprehensive Income	Predecessor 2013 Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statement of Operations
Pension and other postretirement benefit obligation changes:			
Amortization of prior-service credit	\$ -	\$ (56)	(a)
Amortization of actuarial losses	-	144	(a)
Recognition of losses due to settlements	-	17	(a)
	-	105	Total before tax
	-	19	Tax provision
Reclassifications for the period	\$ -	\$ 86	Net of tax

(a) See Note 10, "Retirement Plans and Other Postretirement Benefits," regarding the pensions and other postretirement plan obligation changes.



## NOTE 14: DISCONTINUED OPERATIONS

On April 26, 2013, Eastman Kodak Company, the KPP Trustees Limited (“KPP” or the “Trustee”), as trustee for the U.K. Pension Plan, and certain other Kodak entities entered into a global settlement agreement (the “Global Settlement”) that resolved all liabilities of Kodak with respect to the U.K. Pension Plan. The Global Settlement also provided for the acquisition by KPP and/or its subsidiaries of certain assets, and the assumption by KPP and/or its subsidiaries of certain liabilities of Kodak’s Personalized Imaging and Document Imaging businesses (together the “Business”) under a Stock and Asset Purchase Agreement dated April 26, 2013 (the “SAPA”). On August 30, 2013, the Company entered into an agreement (the “Amended SAPA”) amending and restating the SAPA.

Upon emergence from bankruptcy, as a part of the Global Settlement and pursuant to the Amended SAPA, Kodak consummated the sale of certain assets of the Business to KPP Holdco Limited (“KPP Holdco”), a wholly owned subsidiary of KPP, and certain direct and indirect subsidiaries of KPP Holdco (together with KPP Holdco, the “KPP Purchasing Parties”), for net cash consideration, in addition to the assumption by the KPP Purchasing Parties of certain liabilities of the Business, of \$325 million. Up to \$35 million in aggregate of the purchase price is subject to repayment to KPP if the Business does not achieve certain annual adjusted EBITDA targets over the four-year period ending December 31, 2018. Certain assets and liabilities of the Business in certain jurisdictions were not transferred at the initial closing, which took place upon emergence, but are being transferred in a series of deferred closings in accordance with the Amended SAPA. Kodak is operating the Business relating to the deferred closing jurisdictions, subject to certain covenants, until the applicable deferred closing occurs, and delivers to (or receives from) a KPP subsidiary at each deferred closing a true-up payment reflecting the actual economic benefit (or detriment) to the Business in the applicable deferred closing jurisdiction(s) from the time of the initial closing through the time of the applicable deferred closing. Up to the time of the deferred closing, the results of the operations of the Business are reported as (Loss) earnings from discontinued operations, net of income taxes in the Consolidated Statement of Operations and the assets and liabilities of the Business are categorized as Assets held for sale or Liabilities held for sale in the Consolidated Statement of Financial Position, as appropriate.

On March 17, 2014, the KPP Purchasing Parties agreed to pay Kodak \$20 million of incremental consideration (\$13 million was paid in March of 2014 and the remainder is owed within one year of March 2014) in lieu of working capital adjustments contemplated by the Amended SAPA.

The following table summarizes the major classes of assets and liabilities related to the disposition of the Business which have been segregated and included in Assets held for sale and Liabilities held for sale in the Consolidated Statement of Financial Position:

(in millions)	As of	
	June 30, 2014	December 31, 2013
Receivables, net	\$10	\$16
Inventories, net	9	62
Property, plant and equipment, net	7	10
Other assets	7	7
Assets held for sale	\$33	\$95
Trade payables	\$10	\$24
Miscellaneous payables and accruals	11	14



Liabilities held for sale	\$21	\$38
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Discontinued operations of Kodak include the Business (excluding the consumer film business, for which Kodak has entered into an ongoing supply arrangement with Kodak Alaris, the new entity formed by the KPP Purchasing Parties) and other miscellaneous businesses.

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
Revenues from Personalized and Document Imaging	\$29	\$289	\$59	\$537
Revenues from other discontinued operations	-	10	1	20
Total revenues from discontinued operations	\$29	\$299	\$60	\$557
Pre-tax (loss) earnings from Personalized and Document Imaging	\$(1 )	\$(19 )	\$18	\$(48 )
Pre-tax (loss) earnings from other discontinued operations	-	1	1	(15 )
(Provision) benefit for income taxes related to discontinued operations	(1 )	2	(2 )	6
(Loss) earnings from discontinued operations, net of income taxes	\$(2 )	\$(16 )	\$17	\$(57 )

Kodak was required to use a portion of the proceeds from the divestiture of the Business to repay \$200 million of the Junior Debtor-In-Possession Credit Agreement. Interest expense on the debt that was required to be repaid as a result of the sale of the Personalized Imaging and Document Imaging businesses has therefore been allocated to discontinued operations (\$0 million and \$5 million for the three months ended June 30, 2014 and 2013, respectively and \$0 million and \$10 million for the six months ended June 30, 2014 and 2013, respectively).

Depreciation and amortization of long-lived assets of the Personalized Imaging and Document Imaging businesses included in discontinued operations ceased as of July 1, 2013.

Direct operating expenses of the discontinued operations are included in the results of discontinued operations. Indirect expenses that were historically allocated to the discontinued operations have been included in the results of continuing operations. Prior period results have been reclassified to conform to the current period presentation.

## NOTE 15: SEGMENT INFORMATION

## Current Segment Reporting Structure

Kodak has two reportable segments: the Graphics, Entertainment and Commercial Films Segment and the Digital Printing and Enterprise Segment. The balance of Kodak's continuing operations, which do not meet the criteria of a reportable segment, are reported in All Other. A description of the segments follows.

**Graphics, Entertainment and Commercial Films:** The Graphics, Entertainment and Commercial Films Segment encompasses Graphics, Entertainment Imaging & Commercial Films, and Kodak's intellectual property and brand licensing activities. Product and service offerings include: digital plates, computer to plate output devices, digital controllers, unified workflow solutions, and entertainment imaging and commercial films.

**Digital Printing and Enterprise:** The Digital Printing and Enterprise Segment encompasses Digital Printing, Packaging and Functional Printing, Enterprise Services & Solutions, and Consumer Inkjet Systems.

**All Other:** All Other is composed of Kodak's consumer film business in countries where that business has not yet transferred ownership to the KPP Purchasing Parties, and a utilities variable interest entity. Effective August 31, 2013, the Company sold certain utilities and related facilities and entered into utilities supply and servicing arrangements with RED, a variable interest entity.

Segment financial information is shown below:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
Revenues from continuing operations:				
Graphics, Entertainment & Commercial Films	\$357	\$371	\$675	\$757
Digital Printing and Enterprise	168	198	334	395
All Other	-	14	-	25
Consolidated total	\$525	\$583	\$1,009	\$1,177

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
Segment (loss) earnings and Consolidated (loss) earnings from continuing operations before income taxes				
Graphics, Entertainment and Commercial Films	\$ (8 )	\$ (6 )	\$ (35 )	\$ 10
Digital Printing and Enterprise	(27 )	(11 )	(52 )	(29 )
Total of reportable segments	(35 )	(17 )	(87 )	(19 )
All Other	(4 )	-	(7 )	(2 )
Restructuring costs and other	(20 )	(33 )	(33 )	(46 )

Corporate components of pension and OPEB income (1)	30	14	60	26
Other operating income, net	-	1	-	495
Loss on early extinguishment of debt, net	-	-	-	6
Interest expense	16	47	32	72
Other charges, net	(2 )	(3 )	(3 )	(10 )
Reorganization items, net	5	72	10	192
Consolidated (loss) earnings from continuing operations before income taxes	\$ (52 )	\$ (157 )	\$ (112 )	\$ 174

(1) Composed of interest cost, expected return on plan assets, amortization of actuarial gains and losses, amortization of prior service credits related to the U.S. Postretirement Benefit Plan and special termination benefits, curtailments and settlement components of pension and other postretirement benefit expenses, except for settlements in connection with the chapter 11 bankruptcy proceedings that are recorded in Reorganization items, net and curtailments and settlements included in (Loss) earnings from discontinued operations, net of income taxes in the Consolidated Statement of Operations.

NOTE 16: FINANCIAL INSTRUMENTS

The following tables present the carrying amounts, estimated fair values, and location in the Consolidated Statement of Financial Position for Kodak's financial instruments:

(in millions)		Value Of Items Recorded At Fair Value As of June 30, 2014			
		Total	Level 1	Level 2	Level 3
<b>ASSETS</b>					
Derivatives					
Short-term foreign exchange contracts	Receivables, net	\$ 1	\$ -	\$ 1	\$ -
<b>LIABILITIES</b>					
Derivatives					
Short-term foreign exchange contracts	Other current liabilities	1	-	1	-

(in millions)			Value Of Items Not Recorded At Fair Value As of June 30, 2014			
			Total	Level 1	Level 2	Level 3
<b>LIABILITIES</b>						
Debt						
Short-term debt	Current portion of long-term debt	Carrying value	\$ 4	\$ -	\$ 4	\$ -
		Fair value	4	-	4	-
Long-term debt	Long-term debt, net of current portion	Carrying value	673	-	673	-
		Fair value	703	-	703	-

(in millions)		Value Of Items Recorded At Fair Value As of December 31, 2013			
		Total	Level 1	Level 2	Level 3
<b>ASSETS</b>					
Derivatives					
Short-term foreign exchange contracts	Receivables, net	\$ 1	\$ -	\$ 1	\$ -
<b>LIABILITIES</b>					

Derivatives

Short-term foreign exchange contracts	Other current liabilities	3	-	3	-
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(in millions)		Value Of Items Not Recorded At Fair Value As of December 31, 2013				
		Total	Level 1	Level 2	Level 3	
<b>LIABILITIES</b>						
<b>Debt</b>						
Short-term debt	Current portion of long-term debt	Carrying value	\$ 4	\$ -	\$ 4	\$ -
		Fair value	4	-	4	-
Long-term debt	Long-term debt, net of current portion	Carrying value	674	-	674	-
		Fair value	687	-	687	-

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

## Fair Value

Fair values of Kodak's forward contracts are determined using 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 months or six months ended June 30, 2014.

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 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 June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
Net loss	\$ (1 )	\$ (1 )	\$ (3 )	\$ (3 )

## Derivative Financial Instruments

Kodak, 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. Kodak 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. Kodak's exposure to changes in interest rates results from its investing and borrowing activities used to meet its liquidity needs.

Kodak's financial instrument counterparties are high-quality investment or commercial banks with significant experience with such instruments. Kodak manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. Kodak has procedures to monitor the credit exposure amounts. The maximum credit exposure at June 30, 2014 was not significant to Kodak.

In the event of a default under the Company's Senior Secured First Lien Term Credit Agreement, Senior Secured Second Lien Term Credit Agreement, the ABL Credit Agreement, or a default under any derivative contract or similar obligation of Kodak, 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 June 30, 2014, Kodak had open derivative contracts in liability positions with a total fair value of \$1 million.

Kodak had no derivatives designated as hedging instruments for the three and six months ended June 30, 2014 and 2013. The location and amounts of pre-tax gains and losses related to derivatives not designated as hedging instruments reported in the Consolidated Statement of Operations are shown in the following table:

Derivatives Not Designated as Hedging Instruments, Foreign Exchange Contracts  
(in millions)

Location of Gain or (Loss) Recognized in Income on Derivative	Gain (Loss) Recognized in Income on Derivative			
	Three Months Ended June 30,			
	Successor 2014		Predecessor 2013	
Other charges, net	\$	4	\$	(1)

Location of Gain or (Loss) Recognized in Income on Derivative	Gain (Loss) Recognized in Income on Derivative			
	Six Months Ended June 30,			
	Successor 2014		Predecessor 2013	
Other charges, net	\$	8	\$	(3)

Foreign Currency Forward Contracts

Kodak'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 re-measured through net (loss) earnings (both in Other charges, net) in the Consolidated Statement of Operations). The notional amount of such contracts open at June 30, 2014 was approximately \$415 million. The majority of the contracts of this type held by Kodak as of June 30, 2014 were denominated in euros.





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

### OVERVIEW

Kodak is a technology company that provides commercial imaging products and services built on a foundation of materials science, digital imaging science, and deposition processes. Kodak's portfolio of products and services is designed to meet needs of customers in different sectors and cycles of the commercial imaging and printing markets, including prepress and digital printing, and functional and packaging printing. Kodak also offers brand licensing and intellectual property opportunities, and products and services in entertainment imaging (motion pictures) and other commercial films, and it maintains a presence in the sales of ink for its existing installed consumer inkjet printer base.

Revenue declined \$58 million (10%) compared to the prior year quarter and \$168 million (14%) compared to the first half of last year. The year over year revenue declines were primarily due to Entertainment Imaging and Commercial Films, as a result of lower demand due to acceleration of digital substitution, and Consumer Inkjet Systems, as the size of the installed base of Kodak consumer inkjet printers continues to decline. Revenue for these businesses is expected to continue to become a smaller percentage of overall revenue, as Kodak invests in the growth of its strategic businesses.

Kodak continues to focus on managing its cost structure. Among other compensation and benefit plan changes, Kodak recently announced plans to amend its U.S. defined benefit pension plan, effective January 1, 2015, that are expected to reduce that pension plan's projected benefit obligation by approximately \$55 million.

### CURRENT KODAK OPERATING MODEL AND REPORTING STRUCTURE

Kodak has two reportable segments: the Graphics, Entertainment and Commercial Films Segment and the Digital Printing and Enterprise Segment. The balance of Kodak's continuing operations, which do not meet the criteria of a reportable segment, are reported in All Other and are composed of Kodak's consumer film business in countries where that business has not yet transferred ownership to the KPP Purchasing Parties, and a utilities variable interest entity. Effective August 31, 2013, the Company sold certain utilities and related facilities and entered into utilities supply and servicing arrangements with RED Rochester LLC, a variable interest entity.

Within each of Kodak's reportable segments are various product groupings, or Strategic Product Groups ("SPGs"). Throughout the remainder of this document, references to the segments' SPGs are indicated in italics.

#### Graphics, Entertainment and Commercial Films ("GECF") Segment

The GECF segment is comprised of three SPGs: Graphics, Entertainment Imaging and Commercial Films, and Intellectual Property and Brand Licensing. The GECF segment provides digital and traditional product and service offerings to a variety of commercial industries, including commercial print, direct mail, book publishing, newspapers and magazines, packaging, motion picture entertainment, printed electronics, and the aerial and industrial film markets.

Graphics: Kodak's Graphics portfolio, covering the pre-press segment of the digital offset printing market, includes digital front-end controllers ("DFEs"), Production Software, Computer-to-Plate Equipment and Digital Plates.

- Kodak's DFEs (KODAK CREO Servers) drive personalized content to digital presses while controlling color and print consistency.

- Production workflow software manages the digital and conventional print content from file creation to output. Kodak’s production workflow software includes KODAK PRINERGY Workflow Software, KODAK PREPS Imposition Software, KODAK COLORFLOW Software and the KODAK INSITE Software family of products, managing content and color, reducing manual errors and managing the collaborative creative process.
- Computer to plate (“CTP”) thermal output devices transfer the desired image for offset printing onto an aluminum plate, and provide a consistent and high quality image carrier for various offset press applications and market segments. Kodak’s CTP products include the KODAK MAGNUS Platesetter and TRENDSETTER Platesetter with SQUAREspot Imaging Technology, which provides high resolution, consistency and stability in thermal imaging, as well as the ACHIEVE Platesetter with TH5 imaging technology that provides a highly efficient and cost effective imaging solution for entry level customer needs.
- Kodak’s digital plate offerings include traditional digital plates and KODAK SONORA Process Free Plates. KODAK SONORA Process Free Plates deliver cost savings and efficiency and promote sustainability practices and credentials because they do not require processing chemistry, processing equipment, or chemical disposal.

Kodak also provides service and support related to these products to maintain ideal functionality and uptime for continual use.

Graphics products and services are sold globally through a variety of direct and indirect channels. Kodak is managing and building its Graphics business by investing in process-free technology; driving a total, optimized prepress solution; delivering the next-generation print software portfolio; expanding in emerging markets; and, driving manufacturing operational excellence, profitability and sustainable business practices. Kodak faces competition from other companies that offer commercial offset and digital printing equipment, production software, consumables and service. Competitiveness is generally focused on a broad range of technology that provides customers a higher quality, more efficient and cost effective prepress solution at an effective price.

**Entertainment Imaging & Commercial Films:** Kodak's Entertainment Imaging & Commercial Film group encompasses its motion picture film business, providing motion imaging products (camera negative, intermediate, print and archival film), services and technology for the professional motion picture and exhibition industries. Motion picture products are sold directly to studios, laboratories and independent filmmakers. The group also offers aerial and industrial films, including KODAK Printed Circuit Board film. Kodak expects continuing revenue declines in these products as customers continue to migrate to digital products. This group also includes Kodak's component businesses consisting of: Polyester Film; Specialty Chemicals, Inks & Dispersions, and Solvent Recovery.

**Intellectual Property and Brand Licensing:** Intellectual Property and Brand Licensing includes licensing activities related to intellectual property and certain branded licensed products.

#### Digital Printing and Enterprise ("DP&E") Segment

The DP&E segment is comprised of four SPGs: Digital Printing, Packaging and Functional Printing, Enterprise Services & Solutions and Consumer Inkjet Systems. DP&E 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. DP&E products and services are sold through direct and indirect channels.

**Digital Printing:** Digital Printing includes both the Inkjet Printing Solutions and Electrophotographic Printing Solutions equipment and related consumables and service.

The Inkjet Printing Solutions product offering includes the KODAK PROSPER Press and PROSPER Hybrid Components, featuring ultrafast inkjet droplet generation. PROSPER Hybrid Components are also integrated into original equipment manufacturer partner portfolios, where the partner combines PROSPER Writing Systems with its press systems that transport webs of paper through the press. Equipment sales result in ongoing annuities that yield ink and service revenues. The level of annuity revenue depends on the application for which the equipment is used, which drives the total number of pages printed and ink usage. The PROSPER Press features Stream inkjet technology, which delivers a continuous flow of ink that enables constant and consistent operation, with uniform ink droplet size and accurate placement, even at very high print speeds. Applications include publishing, commercial print, direct mail, and packaging. The business also includes a large customer base of KODAK VERSAMARK Products.

Electrophotographic Printing Solutions encompasses the NEXPRESS Press Platform and the DIGIMASTER Production Platform. The NEXPRESS Press Platform offers high-quality, differentiated printing of short-run, personalized print applications such as direct mail, books, marketing collateral and photo products. The DIGIMASTER Production Platform uses monochrome electrophotographic printing technology to create high-quality printing of statements, short run books, corporate documentation, manuals and direct mail.

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

The Packaging business includes Kodak's FLEXCEL NX and FLEXCEL Direct Platform that offer digitization into the flexographic print market. The FLEXCEL NX System uses Kodak's proprietary SQUAREspot laser imaging technology to produce high resolution imaging and environmentally friendly solutions. The FLEXCEL Direct Platform delivers process-less high productivity and environmentally friendly solutions. These print production capabilities leverage a portfolio of offset, flexographic, and digital products and services, which help enable customers to preserve brand equity, enhance shelf appeal, and drive efficiency from design to a final solution.

Kodak's Functional Printing business focuses on two separate solutions that provide touch panel sensor films to the touch module industry. These solutions consist of a silver halide-based solution and an additive printing solution. Both solutions are in the commercialization phase.

**Enterprise Services & Solutions:** Enterprise Services & Solutions assists with the challenges and opportunities created by the worldwide digital transformation. Kodak brings together its technological strengths to meet the needs of its customers in the areas of print and managed media services, brand protection solutions and services, and document management services.

The group serves customers in enterprises including government, pharmaceuticals and healthcare, consumer and luxury good products, retail, and financial services. With respect to its print and managed media services, Kodak provides consulting services and assists customers by developing solutions for their printing requirements using Kodak technologies. Kodak's brand protection solutions are addressed at the mitigation of counterfeiting and diversion activities. Through its document management services, Kodak provides expertise to customers in order to capture, archive, retrieve and deliver documents to improve information management.

Consumer Inkjet Systems: Consumer Inkjet Systems includes the sale of ink to its existing installed base of consumer inkjet printers.

Revenues from Continuing Operations by Reportable Segment

(in millions)	Three Months Ended June 30,					Six Months Ended June 30,						
	Successor 2014	Predecessor 2013	% Change	Foreign Currency Impact*		Successor 2014	Predecessor 2013	% Change	Foreign Currency Impact*			
Graphics, Entertainment and Commercial Films												
Inside the U.S.	\$ 94	\$ 90	+4	%	0	%	\$ 179	\$ 213	-16	%	0	%
Outside the U.S.	263	281	-6	%	1	%	496	544	-9	%	0	%
Total Graphics, Entertainment and Commercial Films	357	371	-4	%	1	%	675	757	-11	%	0	%
Digital Printing and Enterprise												
Inside the U.S.	68	92	-26	%	0	%	148	185	-20	%	0	%
Outside the U.S.	100	106	-6	%	0	%	186	210	-11	%	0	%
Total Digital Printing and Enterprise	168	198	-15	%	0	%	334	395	-15	%	0	%
All Other												
Inside the U.S.	-	5			0	%	-	8			0	%
Outside the U.S.	-	9			0	%	-	17			0	%
Total All Other	-	14	-100	%	0	%	-	25	-100	%	0	%
Consolidated												
Inside the U.S.	162	187	-13	%	0	%	327	406	-19	%	0	%
Outside the U.S.	363	396	-8	%	1	%	682	771	-12	%	0	%
Consolidated Total	\$ 525	\$ 583	-10	%	0	%	\$ 1,009	\$ 1,177	-14	%	0	%

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



## Segment (Loss) Earnings and Consolidated (Loss) Earnings from Continuing Operations Before Income Taxes

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
Segment (loss) earnings and Consolidated (loss) earnings from continuing operations before income taxes				
Graphics, Entertainment and Commercial Films	\$(8 )	\$(6 )	\$(35 )	\$10 )
Digital Printing and Enterprise	(27 )	(11 )	(52 )	(29 )
Total of reportable segments	(35 )	(17 )	(87 )	(19 )
All Other	(4 )	-	(7 )	(2 )
Restructuring costs and other	(20 )	(33 )	(33 )	(46 )
Corporate components of pension and OPEB income (1)	30	14	60	26
Other operating income, net	-	1	-	495
Loss on early extinguishment of debt, net	-	-	-	6
Interest expense	16	47	32	72
Other charges, net	(2 )	(3 )	(3 )	(10 )
Reorganization items, net	5	72	10	192
Consolidated (loss) earnings from continuing operations before income taxes	\$(52 )	\$(157 )	\$(112 )	\$174 )

<sup>(1)</sup> Composed of interest cost, expected return on plan assets, amortization of actuarial gains and losses, amortization of prior service credits related to the U.S. Postretirement Benefit Plan and special termination benefits, curtailments and settlement components of pension and other postretirement benefit expenses, except for settlements in connection with the chapter 11 bankruptcy proceedings that are recorded in Reorganization items, net and curtailments and settlements included in (Loss) earnings from discontinued operations, net of income taxes in the Consolidated Statement of Operations.



2014 COMPARED WITH 2013  
SECOND QUARTER AND YEAR TO DATE  
RESULTS OF OPERATIONS

(in millions)	Three Months Ended June 30,					Six Months Ended June 30,				
	Successor		Predecessor		%	Successor		Predecessor		%
2014	% of Sales	2013	% of Sales	2014		% of Sales	2013	% of Sales		
Revenues	\$ 525		\$ 583		-10 %	\$ 1,009		\$ 1,177		-14 %
Cost of revenues	423		450		-6 %	818		895		-9 %
Gross profit	102	19 %	133	23 %	-23 %	191	19 %	282	24 %	-32 %
Selling, general and administrative expenses	85	16 %	115	20 %	-26 %	172	17 %	233	20 %	-26 %
Research and development costs	26	5 %	25	4 %	4 %	53	5 %	50	4 %	6 %
Restructuring costs and other	20	4 %	29	5 %	-31 %	33	3 %	40	3 %	-18 %
Other operating income, net	-		(1 )			-		(495 )		
(Loss) earnings from continuing operations before interest expense, other income (charges), net, reorganization items, net and income taxes	(29 )	-6 %	(35 )	-6 %	17 %	(67 )	-7 %	454	39 %	-115 %
Interest expense	16	3 %	47	8 %	-66 %	32	3 %	72	6 %	-56 %
Loss on early extinguishment of debt, net	-		-			-		6		
Other charges, net	(2 )		(3 )			(3 )		(10 )		
Reorganization items, net	5	1 %	72	12 %	-93 %	10	1 %	192	16 %	-95 %
(Loss) earnings from continuing operations before income taxes	(52 )	-10 %	(157 )	-27 %	67 %	(112 )	-11 %	174	15 %	-164 %
Provision for income taxes	8	2 %	51	9 %	-84 %	-	0 %	58	5 %	100 %
(Loss) earnings from continuing operations	(60 )	-11 %	(208 )	-36 %	71 %	(112 )	-11 %	116	10 %	-197 %
(Loss) earnings from discontinued operations, net of	(2 )		(16 )			17		(57 )		

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income taxes										
Net (loss) earnings	(62 )	-12 %	(224 )	-38 %	72 %	(95 )	-9 %	59	5 %	-261 %
Less: Net earnings attributable to noncontrolling interests	-		-			3		-		
NET (LOSS) EARNINGS ATTRIBUTABLE TO EASTMAN KODAK COMPANY	\$ (62 )	-12 %	\$ (224 )	-38 %	72 %	\$ (98 )	-10 %	\$ 59	5 %	-266 %

	Three Months Ended June 30,			Percent Change vs. 2013			Manufacturing and Other Costs
	2014 Amount	Change vs. 2013	Volume	Price/Mix	Foreign Exchange		
Revenues	\$ 525	-10 %	-11 %	1 %	-	n/a	
Gross profit margin	19%	-4 pp	n/a	-3 pp	0pp	-1pp	

	Six Months Ended June 30,			Percent Change vs. 2013			Manufacturing and Other Costs
	2014 Amount	Change vs. 2013	Volume	Price/Mix	Foreign Exchange		
Revenues	\$ 1,009	-14 %	-12 %	-2 %	-	n/a	
Gross profit margin	19%	-5pp	n/a	-3pp	0pp	-2pp	

## Revenues

### Current Quarter

For the three months ended June 30, 2014, revenues decreased approximately 10% compared with the same period in 2013, primarily due to volume declines in Entertainment Imaging and Commercial Films (-4%) and Consumer Inkjet Systems (-3%). This was partially offset by favorable price/mix within Intellectual Property and Brand Licensing (+2%). See segment discussions below for additional information.

### Year to Date

For the six months ended June 30, 2014, revenues decreased approximately 14% compared with the same period in 2013, primarily due to volume declines in Entertainment Imaging and Commercial Films (-5%) and Consumer Inkjet Systems (-3%). Also contributing to the decrease was unfavorable price/mix due to lower licensing revenue (-1%). See segment discussions below for additional information.

## Gross Profit

### Current Quarter

The decrease in gross profit percent for the three months ended June 30, 2014 of approximately 4pp as compared with the prior year period was driven by unfavorable price/mix within Consumer Inkjet Systems (-2pp) and increased manufacturing and other costs within Graphics, Entertainment & Commercial Films (-1pp). See segment discussions below for additional details.

### Year to Date

The decrease in gross profit percent for the six months ended June 30, 2014 of approximately 5pp as compared with the prior year period was driven by increased manufacturing and other costs within Graphics, Entertainment & Commercial Films (-2pp). Also contributing to the decrease was unfavorable price/mix primarily within Consumer Inkjet Systems (-1pp) and Entertainment Imaging and Commercial Films (-1pp) and lower licensing revenue (-1pp). See segment discussions below for additional details.

## Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses (SG&A) decreased (26%) for both the three and six months ended June 30, 2014, as compared with the prior year periods partially reflecting lower pension costs for the quarter and year-to-date periods (8% and 9%, respectively) with the remaining decrease primarily due to the impact of cost reduction actions.

## Research and Development Costs

Consolidated research and development (R&D) expenses increased for the three and six months ended June 30, 2014 (4% and 6% respectively) as compared with the prior year periods primarily due to increased expenditures in the Digital Printing and Enterprise Segment as new products get closer to commercialization. For both the three and six months ended June 30, 2014, increased depreciation expense from the application of fresh start accounting (10% for both periods) was mitigated by lower pension expense (-14% for both periods).

Other Operating Income, Net

For details, refer to Note 7, "Other Operating Income, Net."

Reorganization Items, Net

For details, refer to Note 2, "Reorganization Items, Net."

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## Income Tax (Benefit) Provision

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2014	Predecessor 2013	Successor 2014	Predecessor 2013
(Loss) earnings from continuing operations before income taxes	\$(52 )	\$(157 )	\$(112 )	\$174
Provision for income taxes	\$8	\$51	\$-	\$58
Effective tax rate	(15.4 )%	(32.5 )%	0.0 %	33.3 %

## Current Quarter

The change in Kodak's effective tax rate from continuing operations for the quarter as compared to 2013 is primarily attributable to: (1) a decrease as a result of 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 as a result of the establishment of a deferred tax asset valuation allowance in certain jurisdictions outside the U.S. in the three months ended June 30, 2013, (3) a provision associated with withholding taxes on foreign dividends paid in the three months ended June 30, 2013, (4) a benefit associated with foreign withholding taxes on undistributed earnings in the three months ended June 30, 2013 and (5) a benefit as a result of tax accounting impacts related to items reported in Accumulated other comprehensive loss in the Consolidated Statement of Financial Position in the three months ended June 30, 2013.

## Year to Date

The change in Kodak's effective tax rate from continuing operations for the six months ended June 30, 2014 as compared to 2013 is primarily attributable to: (1) a provision as a result of losses generated within the U.S. for which no benefit was recognized, offset by income in certain jurisdictions outside the U.S. for which no provision was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized in the six months ending June 30, 2014, (2) a benefit as a result of income within the U.S. for which no provision was recognized, offset by losses in certain jurisdictions outside the U.S. for which no benefit was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized in the six months ended June 30, 2013, (3) a provision as a result of the establishment of a deferred tax asset valuation allowance in certain jurisdictions outside the U.S. in the six months ended June 30, 2013, (4) a provision associated with withholding taxes on foreign dividends paid in the six months ended June 30, 2013, (5) a decreased tax benefit associated with foreign withholding taxes on undistributed earnings, (6) a benefit associated with the tax impact of the goodwill impairment recognized in the six months ended June 30, 2013, (7) a provision associated with withholding taxes on the sale of intellectual property in the six months ended June 30, 2013, (8) a benefit as a result of Kodak reaching a settlement with a taxing authority in a location outside the U.S. related to withholding taxes in the six months ended June 30, 2014, (9) a benefit as a result of tax accounting impacts related to items reported in Accumulated other comprehensive loss in the Consolidated Statement of Financial Position in the six months ended June 30, 2013 and (10) a decrease associated with changes in audit reserves.

## Discontinued Operations

Discontinued operations of Kodak include the Personalized Imaging and Document Imaging businesses and other miscellaneous businesses. Refer to Note 14, "Discontinued Operations" for additional information.



GRAPHICS, ENTERTAINMENT AND COMMERCIAL FILMS SEGMENT

(in millions)	Three Months Ended June 30,					Six Months Ended June 30,				
	Successor 2014	% of Sales	Predecessor 2013	% of Sales	% Change	Successor 2014	% of Sales	Predecessor 2013	% of Sales	% Change
Revenues	\$ 357		\$ 371		-4 %	\$ 675		\$ 757		-11 %
Cost of revenues	307		310		-1 %	594		610		-3 %
Gross profit	50	14 %	61	16 %	-18 %	81	12 %	147	19 %	-45 %
Selling, general and administrative expenses	53	15 %	63	17 %	-16 %	106	16 %	127	17 %	-17 %
Research and development costs	5	1 %	4	1 %	25 %	10	1 %	10	1 %	0 %
Segment (loss) earnings	\$ (8 )	-2 %	\$ (6 )	-2 %	33 %	\$ (35 )	-5 %	\$ 10	1 %	-450 %

	Three Months Ended June 30,			Percent Change vs. 2013					
	Successor 2014	Change vs. 2013 (Predecessor)		Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs		
Revenues	\$ 357	-4 %		-6 %	1 %	1 %	n/a		
Gross profit margin	14%	-2pp		n/a	0pp	-1pp	-1pp		

	Six Months Ended June 30,			Percent Change vs. 2013					
	Successor 2014	Change vs. 2013 (Predecessor)		Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs		
Revenues	\$ 675	-11 %		-8 %	-3 %	-	n/a		
Gross profit margin	12%	-7pp		n/a	-3pp	-1pp	-3pp		

Revenues

Current Quarter

The decrease in the Graphics, Entertainment and Commercial Films Segment revenues of approximately 4% for the second quarter reflected volume declines within Entertainment Imaging & Commercial Films driven by reduced

demand for motion picture products (-10%) and unfavorable price/mix within Graphics (-2%) due to competitive pricing pressure. These impacts were partially offset by increased revenues from third party manufacturing services performed under supply agreements with Kodak Alaris (+4%). Also offsetting this decline was favorable price/mix within Intellectual Property and Brand Licensing due to increased revenues (+3%).

Year to Date

The decrease in the Graphics, Entertainment and Commercial Films Segment revenues of approximately 11% for the six months ended June 30, 2014 reflected volume declines within Entertainment Imaging & Commercial Films driven by reduced demand for motion picture products (-10%) and lower revenues within Intellectual Property and Brand Licensing (-2%). Offsetting these declines was increased revenues from third party manufacturing services performed under supply agreements with Kodak Alaris (+2%).

Included in first quarter 2013 revenues was a non-recurring licensing agreement which contributed approximately \$31 million to revenues. Second quarter and year-to-date 2014 revenues included \$9 million and \$18 million, respectively, of licensing revenue, received pursuant to a court order which requires equal payments during the first three quarters of 2014. Revenue is recognized related to these payments as cash is received.



## Gross Profit

### Current Quarter

The decrease in the Graphics, Entertainment and Commercial Films Segment gross profit percent of approximately 2pp for the second quarter was driven by unfavorable manufacturing and other costs within Entertainment Imaging & Commercial Films (-5pp), due to lower production volumes and increased depreciation costs. Also contributing to the decrease was unfavorable price/mix within Graphics (-1pp) and Entertainment Imaging & Commercial Films (-1pp). Partially offsetting these impacts was favorable price/mix within Intellectual Property and Brand Licensing (+2%) due to the payment mentioned above and favorable manufacturing and other costs within Graphics (+3pp) primarily due to lower material costs.

Included in the change in manufacturing and other costs noted above was the application of fresh start accounting, which resulted in increased depreciation expense in Entertainment Imaging & Commercial Films (-3pp).

### Year to Date

The decrease in the Graphics, Entertainment and Commercial Films Segment gross profit percent of approximately 7pp for the second quarter was driven by unfavorable manufacturing and other costs within Entertainment Imaging & Commercial Films (-7pp), primarily due to lower production volumes. Also contributing to the decrease was unfavorable price/mix within Graphics (-1pp), Entertainment Imaging & Commercial Films (-1pp) and Intellectual Property and Brand Licensing (-1pp). Partially offsetting these impacts was favorable manufacturing and other costs within Graphics (+4pp) primarily due to lower material costs.

Included in the change in manufacturing and other costs noted above was the application of fresh start accounting, which resulted in increased depreciation expense in Entertainment Imaging & Commercial Films (-3pp) and decreased depreciation and amortization expense in Graphics (+1pp).

## DIGITAL PRINTING AND ENTERPRISE SEGMENT

(in millions)	Three Months Ended June 30,					Six Months Ended June 30,				
	Successor		Predecessor		% Change	Successor		Predecessor		% Change
	2014	% of Sales	2013	% of Sales		2014	% of Sales	2013	% of Sales	
Revenues	\$ 168		\$ 198		-15 %	\$ 334		\$ 395		-15 %
Cost of revenues	129		140		-8 %	253		284		-11 %
Gross profit	39	23 %	58	29 %	-33 %	81	24 %	111	28 %	-27 %
Selling, general and administrative expenses	42	25 %	49	25 %	-14 %	84	25 %	99	25 %	-15 %
Research and development costs	24	14 %	20	10 %	20 %	49	15 %	41	10 %	20 %
Segment loss	\$ (27 )	-16 %	\$ (11 )	-6 %	-145 %	\$ (52 )	-16 %	\$ (29 )	-7 %	-79 %

	Three Months Ended June 30,			Percent Change vs. 2013				
	Successor 2014	Change vs. 2013 (Predecessor)	Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs		
Revenues	\$168	-15 %	-14 %	-1 %	-	n/a		
Gross profit margin	23 %	-6pp	n/a	-6pp	0pp	0pp		

	Six Months Ended June 30,			Percent Change vs. 2013				
	Successor 2014	Change vs. 2013 (Predecessor)	Volume	Price/Mix	Foreign Exchange	Manufacturing and Other Costs		
Revenues	\$334	-15 %	-14 %	-1 %	-	n/a		
Gross profit margin	24 %	-4pp	n/a	-3pp	0pp	-1pp		

Revenues

Current Quarter

The decrease in the Digital Printing and Enterprise Segment revenues of approximately 15% for the quarter was primarily attributable to volume declines within Consumer Inkjet Systems (-10%), driven by lower sales of ink to the

existing installed base of printers. Also contributing to the decline were lower revenues within Digital Printing (-5%) due to fewer placements of Versamark continuous inkjet components and declines in related annuities during the current year quarter, and within Enterprise Services & Solutions (-2%) due to a reduction in government contracts as well as divested operations. Partially offsetting these declines were volume improvements within Packaging and Functional Printing (+2%) due to increased sales of Flexcel NX plates largely attributable to an increased installed base of Flexcel NX equipment.

Year to Date

The decrease in the Digital Printing and Enterprise Segment revenues of approximately 15% for the six months ended June 30, 2014 was primarily attributable to volume declines within Consumer Inkjet Systems (-10%), driven by lower sales of ink to the existing installed base of printers. Also contributing to the decline were lower revenues within Digital Printing (-5%) driven by fewer placements of electrophotographic units during the current year period and lower volume of Versamark continuous inkjet products noted above, and within Enterprise Services & Solutions (-2%) due to a reduction in government contracts as well as divested operations. Partially offsetting these declines were volume improvements within Packaging and Functional Printing (+2%) due to increased sales of Flexcel NX plates largely attributable to an increased installed base of Flexcel NX equipment.

## Gross Profit

### Current Quarter

The decrease in the Digital Printing and Enterprise Segment gross profit percent for the quarter of approximately 6pp was primarily due to consumer ink sales constituting a lower percentage of the segment's gross profit dollars (-5pp). Within manufacturing and other costs, increased depreciation and amortization expense from the application of fresh start accounting (-2pp) was offset by cost improvements in Digital Printing (+2pp) due to lower current engineering costs.

### Year to Date

The decrease in the Digital Printing and Enterprise Segment gross profit of approximately 4pp for the six months ended June 30, 2014 was primarily due to consumer ink sales constituting a lower percentage of the segment's gross profit dollars (-3pp) and higher manufacturing and other costs (-1pp) primarily due to a net increase in depreciation and amortization expense from the application of fresh start accounting.

### Research and Development Costs

R&D expenses increased for the three months and six months ended June 30, 2014 as compared with the prior year periods due to increased depreciation expense from the application of fresh start accounting (+8% and 9%, respectively) with the remaining increase primarily due to increased expenditures as new products get closer to commercialization.

## RESTRUCTURING COSTS AND OTHER

Charges for restructuring activities are recorded in the period in which Kodak 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 half of 2014 included steps toward exiting a plate manufacturing facility in the UK, as described in further detail below. In addition, actions were initiated to reduce Kodak's cost structure as part of its commitment to drive sustainable profitability and included a workforce reduction in France, manufacturing capacity reductions in the U.S. and various targeted reductions in service, sales, research and development and other administrative functions.

Kodak recorded \$20 million and \$33 million of charges for the three and six months ended June 30, 2014, respectively, which were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations. 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.

Kodak made cash payments related to restructuring of approximately \$10 million and \$24 million during the quarter and six months ended June 30, 2014, respectively.

The restructuring actions implemented in the first half of 2014 are expected to generate future annual cash savings of approximately \$37 million. These savings are expected to reduce future annual Cost of sales, SG&A, and R&D expenses by \$18 million, \$14 million, and \$5 million, respectively. Kodak began realizing a portion of these savings in the first quarter, and expects the majority of the annual savings to be in effect by the end of 2014 as actions are completed.

### Leeds Plate Manufacturing Facility Exit

On March 3, 2014, Kodak announced a plan to exit its prepress plate manufacturing facility located in Leeds, England. This decision was pursuant to Kodak's initiative to consolidate manufacturing operations globally, and is expected to result in a more efficient delivery of its products and solutions. Kodak began the exit of the facility in the second quarter of 2014, and expects to phase out production at the site from mid to late 2015 and to complete the exit of the facility by the second quarter of 2016.

As a result of the decision, Kodak currently expects to incur total charges of \$30 to \$40 million, including \$8 to \$10 million of charges related to separation benefits, \$20 to \$25 million of non-cash related charges for accelerated depreciation and asset write-offs and \$2 to \$5 million in other cash related charges associated with this action.

Kodak implemented certain actions under this program during the first half of 2014. As a result of these actions, Kodak recorded severance charges of \$3 million for the three and six months ended June 30, 2014.

## LIQUIDITY AND CAPITAL RESOURCES

(in millions)	As of June 30, 2014	As of December 31, 2013
Cash and cash equivalents	\$768	\$844

## Cash Flow Activity

(in millions)	Six Months Ended June 30,		
	Successor 2014	Predecessor 2013	Change
Cash flows from operating activities:			
Net cash used in operating activities	\$(132 )	\$(402 )	\$270
Cash flows from investing activities:			
Net cash provided by investing activities	63	524	(461 )
Cash flows from financing activities:			
Net cash used in financing activities	(2 )	(218 )	216
Effect of exchange rate changes on cash	(5 )	(24 )	19
Net decrease in cash and cash equivalents	\$(76 )	\$(120 )	\$44

## Operating Activities

Net cash used in operating activities decreased \$270 million for the six months ended June 30, 2014 as compared with the corresponding period in 2013 primarily due to improved earnings impacting cash flow from operations, including lower professional fees associated with the reorganization, and payment of approximately \$100 million of interest in the prior year period, partially offset by the \$49 million funding of the EBP Trust.

## Investing Activities

Net cash provided by investing activities decreased \$461 million for the six months ended June 30, 2014 as compared with the corresponding period in 2013, primarily due to the proceeds from the sale of the digital imaging patent portfolio in the first quarter of 2013, partially offset by the net release of restricted cash in the six months ended June 30, 2014.

## Financing Activities

Net cash used in financing activities decreased \$216 million for the six months ended June, 2014 as compared with the corresponding period in 2013 due to the net pay-down of debt in the prior year period of \$218 million.



## Sources of Liquidity

Available liquidity includes cash balances and the unused portion of the Asset Based Revolving Credit Agreement (the “ABL Credit Agreement”). The ABL Credit Agreement had \$33 million of net availability as of June 30, 2014. The amount of available liquidity is subject to fluctuations and includes cash balances held by various entities worldwide. At June 30, 2014 and December 31, 2013, approximately \$192 million and \$307 million, respectively, of cash and cash equivalents were held within the U.S. and approximately \$576 million and \$537 million, respectively, of cash and cash equivalents were held outside the U.S. Cash balances held outside of the U.S. are generally required to support local country operations, may have high tax costs, or other limitations that delay the ability to repatriate, and therefore may not be readily available for transfer to other jurisdictions. Additionally, in China, where approximately \$258 million of cash and cash equivalents was held as of June 30, 2014, there are limitations related to net asset balances that may impact the ability to make cash available to other jurisdictions in the world. Under the terms of the Senior Secured First Lien Term Credit Agreement, Senior Secured Second Lien Term Credit Agreement and the ABL Credit Agreement, the Company is permitted to invest up to \$100 million in subsidiaries and joint ventures that are not party to these loan agreements.

Cash flow from investing activities included \$13 million of capital expenditures for six months ended June 30, 2014. Kodak expects approximately \$40 million of total capital expenditures for 2014. Additionally, Kodak intends to utilize a variety of methods to finance customer equipment purchases in the future, including expansion of existing third party finance programs and internal financing through both leasing and installment loans.

Kodak believes that its liquidity position is adequate to fund its operating and investing needs and to provide the flexibility to respond to further changes in the business environment.

## Venezuela Currency

The Venezuelan government has maintained currency controls and a fixed official exchange rate since 2003. At June 30, 2014, the official exchange rate is 6.3 Venezuelan Bolivars Fuertes (“BsF”) to the U.S. dollar. Kodak has accounted for the Venezuelan economy as highly inflationary since 2010. Accordingly, Kodak’s Venezuelan subsidiary uses the U.S. dollar as its functional currency, and monetary assets and liabilities denominated in BsF generate income or expense for changes in value associated with foreign currency exchange rate fluctuations against the U.S. dollar.

In 2013, the Venezuelan government announced the creation of a complementary currency exchange system, Sistema Complementario de Administracion de Divisas 1 (“SICAD 1”). SICAD 1 is determined by an auction process restricted to invited entities for designated uses. At June 30, 2014, the SICAD 1 exchange rate was 10.6 BsF to the U.S. Dollar. In 2014, the Venezuelan government created another currency exchange system, Sistema Complementario de Administracion de Divisas 2 (“SICAD 2”), indicating that all industry sectors and companies would be eligible to participate in SICAD 2. Transactions in SICAD 2 are regulated by the Venezuelan Central Bank. Entities must submit applications to convert BsF to U.S. dollars under SICAD 2. The exchange rate of SICAD 2 as of June 30, 2014 was 49.98 BsF to the U.S. dollar.

Since emergence from bankruptcy and divestiture of the Personalized Imaging and Document Imaging businesses in September 2013, Kodak’s Venezuelan subsidiary does not have ongoing trading activity. Kodak is evaluating its strategic options with respect to the Venezuela market, including trading activity in the Venezuelan subsidiary. As of June 30, 2014, Kodak’s Venezuelan subsidiary had approximately \$19 million of BsF denominated net monetary assets, including cash and cash equivalents of approximately \$17 million.



The conversion of BsF to U.S. dollars must be approved by the Venezuelan government through one of the exchange mechanisms noted above. Kodak has not accessed U.S. dollars in Venezuela using either SICAD 1 or SICAD 2 and has not applied to utilize either exchange. Kodak continues to use the official rate to remeasure BsF denominated monetary assets and liabilities of its Venezuelan subsidiary to the U.S. dollar due to various factors including, but not limited to: the lack of history and visibility to the exchangeability and participation requirements related to SICAD 1 and SICAD 2; the probability of accessing and obtaining currency by use of a particular rate or mechanism; Kodak's intent and ability to access U.S. dollars in Venezuela; and the potential for future trading activity in the Venezuelan subsidiary. In addition, it is Kodak's understanding that Venezuelan government officials have recently indicated that the three exchanges could progressively converge, with a new system involving a single unified rate that could be in place by the end of 2014. Kodak will continue to monitor the impact of these possible changes. Kodak cannot predict whether there will be further devaluation of the BsF or whether its use of the 6.3 rate will continue to be supported by evolving facts and circumstances. If Kodak used the SICAD 1 exchange rate of 10.6 BsF to the U.S. dollar or the SICAD 2 exchange rate of 49.98 BsF to the U.S. dollar as of June 30, 2014, a pre-tax translation loss of approximately \$8 million or \$16 million, respectively, would have been reported in the quarter ended June 30, 2014.

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, investments, financing needs, business trends, and other information that is not historical information. When used in this document, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "predicts," "forecasts," or future or conditional verbs, such as "will," "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 the Company's Annual Report on Form 10-K for the year ended December 31, 2013 under the headings "Business," "Risk Factors," and/or "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources," and those described in other filings the Company makes with the SEC from time to time, as well as the following: the Company's ability to improve and sustain its operating structure, financial results and profitability; the ability of the Company to achieve cash forecasts, financial projections, and projected growth; our ability to achieve the financial and operational results contained in our business plans; the ability of the Company to discontinue or sell certain non-core businesses or operations; the Company's ability to comply with the covenants in its credit facilities; our ability to obtain additional financing if and as needed; any potential adverse effects of the chapter 11 proceedings on the Company's brand or business prospects; the Company's ability to fund continued investments, capital needs, restructuring payments and service its debt; changes in foreign currency exchange rates, commodity prices and interest rates; the resolution of claims against the Company; our ability to attract and 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 Company. 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 document. 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

Kodak, 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, Kodak may enter into derivative contracts. Kodak 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 Kodak's International Treasury Center, as well as forecasted foreign currency denominated intercompany sales. Kodak'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 June 30, 2014 and December 31, 2013, the fair value of open forward contracts would have decreased \$5 million and \$13 million, respectively. Such changes in fair value would be substantially offset by the revaluation or settlement of the underlying positions hedged.

Kodak is exposed to interest rate risk primarily through its borrowing activities and, to a lesser extent, through investments in marketable securities. Kodak may utilize borrowings to fund its working capital and investment needs. 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.

Kodak's borrowings are in variable-rate instruments with an interest rate floor. At June 30, 2014 and December 31, 2013, the one-month LIBOR rate was approximately 0.16% and 0.17%, respectively. If LIBOR rates were to rise above the 1% and 1.25% floors, interest expense would increase approximately \$7 million for each 1% of LIBOR above the floor (\$691 million face amount of debt times 1% at June 30, 2014). Kodak's financial instrument counterparties are high-quality investment or commercial banks with significant experience with such instruments. Kodak manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. Kodak has procedures to monitor the credit exposure amounts. The maximum credit exposure at June 30, 2014 was not significant to Kodak.

#### Item 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

Kodak maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in Kodak'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 Kodak's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, Kodak's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and, in reaching a reasonable level of assurance, Kodak's management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Kodak's management, with participation of Kodak's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Kodak's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on their evaluation and subject to the foregoing, Kodak'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, Kodak's disclosure controls and procedures were effective.

##### Changes in Internal Control over Financial Reporting

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

## Part II. Other Information

#### Item 1. Legal Proceedings

Subsequent to the Company's Bankruptcy Filing, between January 27, 2012 and March 22, 2012, several putative class action suits were filed in federal court in the Western District of New York against the committees of the Company's Stock Ownership Plan ("SOP") and Savings and Investment Plan ("SIP"), 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*. The allegations concern the decline in the Company's stock price and its alleged impact on SOP and SIP. Plaintiffs seek the recovery of any losses to the applicable plans, a constructive trust, the appointment of an independent fiduciary, equitable relief, as applicable, and attorneys' fees and costs. Defendants' motion to dismiss the litigation was heard on May 23, 2013 and has been taken under advisement. On behalf of the defendants in this case, the Company believes that the case is without merit and will vigorously defend the defendants on their behalf.

On June 17, 2013, the Company, the New York State Department of Environmental Conservation and the New York State Urban Development Corporation, d/b/a Empire State Development entered into a settlement agreement subsequently amended on August 6, 2013 (the "Amended EBP Settlement Agreement") which resolves certain of the Company's historical environmental liabilities at Eastman Business Park ("EBP") through the establishment of a \$49 million environmental remediation trust (the "EBP Trust"). The Amended EBP Settlement Agreement was subject to the satisfaction or waiver of certain conditions including Bankruptcy Court approval of a covenant not to sue from the U.S. Environmental Protection Agency ("EPA") with respect to the liabilities that are addressed in the Amended EBP

Settlement Agreement. On May 13, 2014, the Bankruptcy Court approved the U.S. Environmental settlement, which contained the EPA covenant not to sue. On May 20, 2014, the Amended EBP Settlement became effective and was implemented, as follows: (i) the EBP Trust is responsible for investigation and remediation at EBP arising from the Company's historical environmental liabilities in existence prior to the effective date of the EBP settlement, (ii) the Company has funded the EBP Trust with a \$49 million payment and transfer of certain equipment and fixtures used for remediation at EBP, and (iii) in the event the historical liabilities exceed \$99 million, the Company will become liable for 50% of the portion above \$99 million.

The Company and its subsidiaries are involved in various lawsuits, claims, investigations, remediations 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. Based on information presently available, the Company does not believe that it is probable that losses for known exposures could have a material adverse effect on its financial condition or results of operations. Litigation is inherently unpredictable, and judgments could be rendered or settlements entered that could adversely affect Kodak's operating results or cash flows in a particular period.

Items 1A, 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.

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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: August 5, 2014

/s/ Eric Samuels  
Eric Samuels  
Chief Accounting Officer and Corporate Controller  
(Chief Accounting Officer and Authorized Signatory)

Eastman Kodak Company  
Index to Exhibits

Exhibit  
Number

- (3.1) Third Amended and Restated By-Laws, filed herewith.
- \*(10.1) Employment Agreement between Eastman Kodak Company and John N. McMullen, dated May 16, 2014, filed herewith.
- (31.1) Certification signed by Jeffrey J. Clarke, filed herewith.
- (31.2) Certification signed by John N. McMullen, 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, signed by Jeffrey J. Clarke – 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 signed by John N. McMullen– 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.

\* Management contract or compensatory plan or arrangement.



