

EASTMAN KODAK CO
Form 10-K
March 19, 2014
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the year ended December 31, 2013

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

16-0417150
(IRS Employer

incorporation)

Identification No.)

343 STATE STREET, ROCHESTER, NEW YORK

14650

(Address of principal executive offices)

(Zip Code)

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

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

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

Title of each Class

Common Stock, \$.01 par value

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

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

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

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

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

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

Large accelerated filer

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

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The aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2013 was approximately \$35 million. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of March 3, 2014 was 41,673,710 shares of common stock.

Table of Contents

Eastman Kodak Company

Form 10-K

December 31, 2013

Table of Contents

| | Page |
|---|-------------|
| <u>Part I</u> | |
| Item 1. <u>Business</u> | 3 |
| Item 1A. <u>Risk Factors</u> | 8 |
| Item 1B. <u>Unresolved Staff Comments</u> | 14 |
| Item 2. <u>Properties</u> | 14 |
| Item 3. <u>Legal Proceedings</u> | 15 |
| Item 4. <u>Mine Safety Disclosures</u> | 15 |
| <u>Executive Officers of the Registrant</u> | 16 |
| <u>Part II</u> | |
| Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 19 |
| Item 6. <u>Selected Financial Data</u> | 21 |
| Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 24 |
| <u>Liquidity and Capital Resources</u> | 41 |
| Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 47 |
| Item 8. <u>Financial Statements and Supplementary Data</u> | 49 |
| <u>Consolidated Statement of Operations</u> | 51 |
| <u>Consolidated Statement of Financial Position</u> | 53 |
| <u>Consolidated Statement of Equity (Deficit)</u> | 54 |
| <u>Consolidated Statement of Cash Flows</u> | 57 |
| <u>Notes to Financial Statements</u> | 59 |
| Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u> | 131 |
| Item 9A. <u>Controls and Procedures</u> | 131 |
| Item 9B. <u>Other Information</u> | 132 |
| <u>Part III</u> | |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u> | 132 |
| Item 11. <u>Executive Compensation</u> | 132 |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | 132 |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u> | 133 |
| Item 14. <u>Principal Accounting Fees and Services</u> | 133 |
| <u>Part IV</u> | |

| | | |
|----------|--|-----|
| Item 15. | <u>Exhibits, Financial Statement Schedules</u> | 133 |
| | <u>Signatures</u> | 134 |
| | <u>Schedule II Valuation and Qualifying Accounts</u> | 135 |
| | <u>Index to Exhibits</u> | 136 |

PAGE 2

Table of Contents

PART I

ITEM 1. BUSINESS

When used in this report, unless otherwise indicated by the context, we, our, us, and Kodak refer to the consolidated company on the basis of consolidation described in Note 1 to the consolidated financial statements in Part II, Item 8, Financial Statements and Supplementary Data of this Form 10-K Report. Also, unless otherwise indicated by the context, EKC means the parent company, Eastman Kodak Company (the Company).

Kodak is a technology company focused on imaging for business. Kodak offers high-quality, cost-effective products and services to the commercial imaging industry. Kodak's portfolio of products and services meets two distinct needs for its customers: transforming large printing markets with digital offset, digital print and hybrid solutions; and developing new solutions for high-growth markets. Kodak also offers leading products and services in entertainment imaging and commercial films.

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

EMERGENCE FROM VOLUNTARY REORGANIZATION UNDER CHAPTER 11 PROCEEDINGS

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.

On August 23, 2013, the Bankruptcy Court entered an order (the Confirmation Order) confirming the revised First Amended Joint Chapter 11 Plan of Reorganization of Eastman Kodak Company and its Debtor Affiliates (the Plan). On September 3, 2013 (the Effective Date), the Plan became effective and the Debtors emerged from chapter 11 protection.

Fresh Start Accounting

Upon emergence from chapter 11, Kodak applied the provisions of fresh start accounting to its financial statements as of September 1, 2013. The adoption of fresh start accounting resulted in Kodak becoming a new entity for financial reporting purposes. 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 the Effective Date. References to Predecessor or Predecessor Company relate to Kodak prior to the Effective Date.

REPORTABLE SEGMENTS

As of December 31, 2012, Kodak had three reportable segments: the Graphics, Entertainment and Commercial Films Segment, the Digital Printing and Enterprise Segment, and the Personalized and Document Imaging Segment. Effective in the first quarter of 2013, the Intellectual Property and Brand Licensing strategic product group is reported in the Graphics, Entertainment and Commercial Films Segment. The Intellectual Property and Brand Licensing strategic product group was previously reported in the Personalized and Document Imaging Segment. Effective in the second quarter of 2013, due to the Personalized and Document Imaging Segment (excluding the film business, for which Kodak has entered into an ongoing supply arrangement) being reported as discontinued operations, 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. Prior period segment results have been revised to conform to the current period segment reporting structure. All the information provided herein reflects this change.

Kodak's sales, earnings and assets by reportable segment for each of the past three years are shown in Note 25, Segment Information, in the Notes to Financial Statements.

Graphics, Entertainment and Commercial Films (GECF) Segment

GECF 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.

Table of Contents

Graphics: Kodak's Graphics portfolio, covering the pre-press segment of the digital offset printing market, includes front-end controllers, production workflow software (including the PRINERGY 6 Workflow portfolio), CTP output devices (including the KODAK TRENDSETTER and ACHIEVE Product with SQUAREspot laser writing and the TH5 imaging technology), service and digital plates (including traditional digital and KODAK SONORA Process-Free Plates). The SONORA plate delivers cost savings and efficiency and promotes customers' sustainability practices and credentials as it does not require processing chemistry. Graphic products and services are sold through a variety of direct and indirect channels.

Net sales for Graphics accounted for 52%, 49%, 49%, and 45% of total consolidated revenue for the four months ended December 31, 2013, eight months ended August 31, 2013 and years ended December 31, 2012 and 2011, respectively.

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, and delivers external sales for Kodak's component businesses: Polyester Film; Specialty Chemicals; Inks & Dispersions; and Solvent Recovery.

Net sales of Entertainment Imaging and Commercial Films accounted for 11%, 13%, 14%, and 18% of total consolidated revenue for the four months ended December 31, 2013, eight months ended August 31, 2013 and years ended December 31, 2012 and 2011, respectively.

Intellectual Property and Brand Licensing: Intellectual property and brand licensing includes licensing activities related to digital imaging products and certain branded licensed products. On February 1, 2013, Kodak sold certain of its intellectual property assets, including its digital imaging patents.

Marketing and Competition: The key imperatives and marketing focus for the Graphics business are: investing in process-free technology; driving a total, optimized prepress solution; delivering the next-generation print software portfolio; expanding in emerging markets, and driving operational excellence and profitability. 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, solutions and price. The motion picture business faces competition from electronic substitution with digital capture and digital cinema theater display.

Digital Printing and Enterprise (DP&E) Segment

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 a variety of 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 KODAK PROSPER Presses and PROSPER hybrid components, featuring ultrafast inkjet droplet generation, which are sold directly to customers. PROSPER hybrid components are also integrated into OEM partner portfolios. The PROSPER Press features STREAM Inkjet

Technology, which delivers a continuous flow of ink that enables constant and consistent operation, with uniform 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 (first-generation) Products.

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

Net sales for Digital Printing accounted for 21%, 18%, 17%, and 15% of total consolidated revenue for the four months ended December 31, 2013, eight months ended August 31, 2013 and years ended December 31, 2012 and 2011, respectively.

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 Platforms that offer digitization into the flexographic print market. The FLEXCEL System uses Kodak's proprietary SQUAREspot laser imaging technology. This print production capability leverages a portfolio of offset, flexographic, and digital products and services, which help enable customers to preserve brand equity and security, enhance shelf appeal, and drive efficiency from design.

Table of Contents

Kodak's Functional Printing business has entered the commercialization phase for two separate solutions that provide touch panel sensor films to the touch module industry, a silver halide-based solution and an additive printing solution. Both pathways are expected to be in commercial production in 2014.

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 & 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 finance.

Consumer Inkjet Systems: Consumer Inkjet Systems includes consumer inkjet printers and related ink and media consumables. Starting in 2013, the Consumer Inkjet Systems business is focused on the sale of ink to its installed base of consumer inkjet printers.

Net sales for Consumer Inkjet Systems accounted for 7%, 9%, 11%, and 10% of total consolidated revenue for the four months ended December 31, 2013, eight months ended August 31, 2013 and years ended December 31, 2012 and 2011, respectively.

Marketing and Competition: The key imperatives and marketing focus for the DP&E businesses are 1) to expand the company's position in the high-growth markets of commercial inkjet, packaging and functional printing by leveraging Kodak's success in developing and commercializing digital printing technologies, including the *SQUAREspot* laser writing imaging technology and continuous inkjet *Stream* technology and 2) to partner with and provide professional services to customers in the commercial printing and digital imaging markets, supporting new customer applications and business solutions. DP&E faces competition from other companies that offer a range of commercial offset and digital printing equipment, consumables and service. Competition is generally focused on technology, solutions, and price.

All Other

All Other is composed of Kodak's consumer film business 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 (RED), a variable interest entity of which Kodak is the primary beneficiary.

DISCONTINUED OPERATIONS

Discontinued operations of Kodak include the Personalized Imaging and Document Imaging businesses, the digital capture and devices business, Kodak Gallery, and other miscellaneous businesses. For details, refer to Note 26, Discontinued Operations for additional information.

FINANCIAL INFORMATION BY GEOGRAPHIC AREA

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

RAW MATERIALS

The raw materials used by Kodak are many and varied, and are generally readily available. Lithographic aluminum is the primary material used in the manufacture of offset printing plates. Kodak procures lithographic aluminum coils

from several suppliers on a spot basis or under contracts generally in place over the next one to two years. Silver is one of the essential materials used in the manufacture of films. Kodak purchases silver from numerous suppliers under annual agreements or on a spot basis. Electronic components are used in the manufacturing of commercial printers and other electronic devices. Although most electronic components are generally available from multiple sources, certain key electronic components included in the finished goods manufactured by and purchased from Kodak's third party suppliers are obtained from single or limited sources, which may subject Kodak to supply risks.

PAGE 5

Table of Contents**SEASONALITY OF BUSINESS**

Equipment sales for the DP&E Segment and Graphics, within the GECF Segment, generally exhibit higher levels in the fourth quarter due to the seasonal nature of placements, resulting from customer or industry budgeting practices. Sales of entertainment imaging film within the GECF Segment are typically strongest in the second quarter reflecting increased demand due to the summer motion picture season.

RESEARCH AND DEVELOPMENT

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

Research and development expenditures for Kodak's two reportable segments were as follows:

| (in millions) | Successor | | Predecessor | |
|--|--|---|---|---|
| | Four Months Ended December 31, 2013 | Eight Months Ended August 31, 2013 | Year Ended December 31, 2012 | Year Ended December 31, 2011 |
| Graphics, Entertainment and Commercial Films | \$ 7 | \$ 13 | \$ 40 | \$ 54 |
| Digital Printing and Enterprise | 33 | 55 | 132 | 159 |
| Impact of exclusion of certain components of pension and OPEB income from the segment measure of profitability (1) | (7) | (2) | (4) | (18) |
| Total | \$ 33 | \$ 66 | \$ 168 | \$ 195 |

- (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 Earnings (loss) from discontinued operations, net of income taxes in the Consolidated Statement of Operations.

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

It has been Kodak's general practice to protect its investment in research and development and its freedom to use its inventions by obtaining patents. The ownership of these patents contributes to Kodak's ability to provide industry-leading products. Kodak holds portfolios of patents in several areas important to its business, including the specific technologies previously discussed, such as flexographic and lithographic printing plates and systems; digital printing workflow and color management proofing systems; color and black-and-white electrophotographic printing

systems; commercial and consumer inkjet writing systems, printers, and presses; inkjet inks and media; functional printing materials, formulations, and deposition modalities; dye sublimation (thermal transfer) printing systems; and color negative films, processing and papers. Each of these areas is important to existing and emerging business opportunities that bear directly on Kodak's overall business performance.

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

ENVIRONMENTAL PROTECTION

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

Table of Contents

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

Based upon information presently available, future costs associated with environmental compliance are not expected to have a material effect on Kodak's capital expenditures, results of operations or competitive position, although costs could be material to a particular quarter or year.

EMPLOYMENT

At the end of 2013, Kodak employed the full time equivalent of approximately 8,800 people globally, of whom approximately 3,600 were employed in the U.S. The actual number of employees may be greater because some individuals work part time.

Approximately 800 employees are expected to transfer to the buyer of the Personalized Imaging and Document Imaging businesses in 2014.

AVAILABLE INFORMATION

Kodak files many reports with the Securities and Exchange Commission (SEC) (www.sec.gov), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. These reports, and amendments to these reports, are made available free of charge as soon as reasonably practicable after being electronically filed with or furnished to the SEC. They are available through Kodak's website at www.Kodak.com. To reach the SEC filings, follow the links to Investor Center, and then SEC Filings.

The CEO and CFO certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are included as exhibits to this report. These certifications are also included with the Form 10-K for the year ended December 31, 2012 filed on March 11, 2013.

Table of Contents

ITEM 1A. RISK FACTORS

Continued investment, capital needs, restructuring payments and servicing the Company's debt require a significant amount of cash and we may not be able to generate cash necessary to finance these activities, which could adversely affect our business, operating results and financial condition.

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

Kodak's ability to generate cash is subject to general economic, financial, competitive, litigation, regulatory and other factors that are beyond our control. We cannot assure you that:

the Company's businesses will generate sufficient cash flow from operations;

the Company will be able to repatriate or move cash to locations where and when it is needed;

the Company will meet all the conditions associated with the Emergence Credit Facilities;

we will realize cost savings, earnings growth and operating improvements resulting from the execution of our business and restructuring plan; or

future sources of funding will be available in amounts sufficient to enable funding of our liquidity needs. If we cannot fund our liquidity needs, we will have to take actions such as reducing or delaying capital expenditures, product development efforts, strategic acquisitions, and investments and alliances; selling additional assets; restructuring or refinancing the Company's debt; or seeking additional equity capital. Such actions could increase the Company's debt, negatively impact customer confidence in our ability to provide products and services, reduce the Company's ability to raise additional capital and delay sustained profitability. We cannot assure you that any of these actions could, if necessary, be effected on commercially reasonable terms, or at all, or that they would permit us to meet the Company's scheduled debt service obligations. In addition, if we incur additional debt, the risks associated with the Company's substantial leverage, including the risk that we will be unable to service the Company's debt, generate cash flow sufficient to fund our liquidity needs, or maintain compliance with the covenants in our various credit facilities, could intensify.

If we are unsuccessful with the Company's strategic investment decisions, our financial performance could be adversely affected.

The Company has focused its investments on commercial businesses in large growth markets that are positioned for technology and business model transformation, specifically, commercial inkjet, packaging and functional printing solutions, and enterprise services. Each of these businesses require additional investment and may not be successful strategies when implemented. The introduction of successful innovative products at market competitive prices and the achievement of scale are necessary for us to grow these businesses, improve margins and achieve our financial

objectives. The introduction of products requires great precision in forecasting demand and understanding commercial business requirements in a rapidly moving marketplace. Additionally, our strategy is based on a number of factors and assumptions, some of which are not within our control, such as the actions of third parties. There can be no assurance that we will be able to successfully execute all elements of our strategy, or that our ability to successfully execute our strategy will be unaffected by external factors. If we are unsuccessful in growing the Company's investment businesses as planned, or perceiving the needs of the rapidly changing commercial businesses, our financial performance could be adversely affected.

If Kodak is not able to successfully implement plans, or experiences implementation delays in cost structure reduction the Company's consolidated results of operations, financial position and liquidity could be negatively affected.

We recognize and have communicated the need to rationalize Kodak's workforce and streamline operations to a leaner and more focused organization aligned with the emerged businesses and operations. We have implemented such cost rationalization plans including a restructuring of resources, manufacturing, supply chain, marketing, sales and administrative resources. As a result, our operations, results, financial position and liquidity could be negatively impacted. There are no assurances that such implementation will be successful or that the results we achieve through these plans will be consistent with our expectations. Additionally, if restructuring plans are not effectively managed, we may experience lost customer sales, product delays and other unanticipated effects, causing harm to our business and customer relationships. The business plans are subject to a number of assumptions, projections, and analysis. If these assumptions prove to be incorrect, we may be unsuccessful in executing our business plan or achieving the projected results, which could adversely impact our financial results and liquidity. Finally, the timing and implementation of these plans require compliance with numerous laws and regulations, including local labor laws, and the failure to comply with such requirements may result in damages, fines and penalties which could adversely affect the Company's business.

Table of Contents

Kodak's inability to effectively complete and manage partnerships and other significant transactions could adversely impact our business performance, including our financial results.

As part of the Company's strategy, we may be engaged in discussions with third parties regarding possible divestitures, asset sales, investments, acquisitions, strategic alliances, joint ventures, and outsourcing transactions and enter into agreements relating to such transactions in order to further our business objectives. In order to pursue this strategy successfully, we must identify suitable buyers, sellers and partners and successfully complete transactions, some of which may be large and complex, and manage post closing issues such as the elimination of any remaining post-sale costs related to divested businesses. Risks of transactions can be more pronounced for larger and more complicated transactions, or if multiple transactions are pursued simultaneously. If we fail to identify and successfully complete transactions that further the Company's strategic objectives, we may be required to expend resources to develop products and technology internally, we may be at a competitive disadvantage or we may be adversely affected by negative market perceptions. Any of these factors could have an adverse effect on our revenue, gross margins and profitability. In addition, unpredictability surrounding the timing of such transactions could adversely affect our financial results.

There can be no assurance that the Company will be able to comply with the terms of our various credit facilities.

A breach of any of the financial or other covenants contained in our Senior Secured First Lien Term Credit Agreement (the "First Lien Term Credit Agreement"), Senior Secured Second Lien Term Credit Agreement (the "Second Lien Term Credit Agreement"), and together with the First Lien Term Credit Agreement, the "Term Credit Agreements") or the Asset Based Revolving Credit Agreement (the "ABL Credit Agreement"), and together with the Term Credit Agreements, the "Credit Agreements") could result in an event of default under these facilities, subject, in certain cases, to applicable grace and cure periods. If any event of default occurs and we are not able either to cure it or obtain a waiver from the requisite lenders under each of these facilities, the administrative agent of each credit facility may, and at the request of the requisite lenders for that facility shall, declare all of our outstanding obligations under the applicable credit facility, together with accrued interest and fees, to be immediately due and payable, and the agent under the ABL Credit Agreement may, and at the request of the requisite lenders shall, terminate the lenders' commitments under that facility and cease making further loans, and if applicable, each respective agent could institute foreclosure proceedings against our pledged assets. This could adversely affect our operations and our ability to satisfy our obligations as they come due.

The extent to which the U.K. Kodak Pension Plan (KPP) Purchasing Parties are able to successfully operate the Personalized Imaging and Document Imaging Businesses (the Business) that they acquired from the Company, and to meet their commitments under transition services and other agreements entered into with the Company, could affect our brand, reputation and financial results.

The Amended Stock and Asset Purchase Agreement ("Amended SAPA") and certain related agreements permit the KPP Purchasing Parties to use the Kodak name and brand in its operations of the Business on a going-forward basis. If the KPP Purchasing Parties are not successful in the operation of the Business, the Company's brand image and reputation as a producer of high quality products could be harmed, which could affect our financial results or operations. In addition, in connection with the closing under the Amended SAPA, on the Effective Date, the Company entered into certain transition services agreements with the KPP Purchasing Parties under which the KPP Purchasing Parties are purchasing services from the Company. The inability of the KPP Purchasing Parties to make payments as they are due under the transition service agreements could negatively affect our financial results. Further, with respect to certain jurisdictions for which deferred closings are scheduled to occur pursuant to the Amended SAPA on certain future dates, certain factors may delay the closings from occurring on the dates specified in the Amended SAPA, which

could result in costs or operational impacts to Kodak.

Upon our emergence from chapter 11, a new Board of Directors was appointed, whose ability to quickly learn our business and lead our Company will be critical to our success.

Pursuant to the Plan, a new Board of Directors was appointed to lead the Company upon emergence from chapter 11. The Board consists of six new Directors who have not previously served on the Kodak Board and are expanding their knowledge of the Company's operations and strategic plans. The ability of the new Directors to quickly expand their knowledge of our business plans, operations and strategies and our technologies will be critical to their ability to make informed decisions about Company strategy and operations, particularly given the competitive environment in which our businesses operate and the need to quickly adjust to technological trends and advancements. If our Board of Directors is not sufficiently informed to make such decisions, our ability to compete effectively and profitably could be adversely affected.

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

Kodak has significant defined benefit pension and other postretirement benefit obligations. The funded status of our U.S. and non U.S. defined benefit pension plans (and other postretirement benefit plans), and the related cost reflected in our financial statements, are affected by various factors that are subject to an inherent degree of uncertainty. Key assumptions used to value

Table of Contents

these benefit obligations, funded status and expense recognition include the discount rate for future payment obligations, the long term expected rate of return on plan assets, salary growth, healthcare cost trend rates, mortality trends, and other economic and demographic factors. Significant differences in actual experience, or significant changes in future assumptions or obligations imposed by legislation, or pension authorities could lead to a potential future need to contribute cash or assets to Kodak's plans in excess of currently estimated contributions and benefit payments and could have an adverse effect on the Company's consolidated results of operations, financial position or liquidity.

The competitive pressures we face could harm Kodak's revenue, gross margins and market share.

The markets in which we do business are highly competitive with large, entrenched, and well financed industry participants. In addition, we encounter aggressive price competition for all our products and services from numerous companies globally. Kodak's results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures. If our products, services and pricing are not sufficiently competitive with current and future competitors, we could also lose market share, adversely affecting our revenue and gross margins.

If Kodak's commercialization and manufacturing processes fail to prevent product reliability and quality issues, our product launch plans may be delayed, our financial results may be adversely impacted, and our reputation may be harmed.

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

If we cannot effectively anticipate technology trends and develop and market new products to respond to changing customer preferences, our revenue, earnings and cash flow, could be adversely affected.

We have transformed ourselves into a technology company serving imaging for business markets including packaging, functional printing, graphic communications and enterprise services. Our success in these businesses depends on our ability to offer differentiated solutions to capture market share and grow scale. To enable this, we must develop and introduce new products and services in a timely manner to keep pace with technological developments and achieve customer acceptance. We must also effectively communicate to our customers, investors, and other key stakeholders our transformed business model, and successfully market our products for the markets we serve. If we are unable to anticipate new technology trends, develop improvements to the Company's current technology to address changing customer preferences, and effectively communicate, our businesses, products, and the markets we serve this could adversely affect our revenue, earnings and cash flow.

If we cannot protect the intellectual property rights on which the Company's business depends, or if third parties assert that we violate their intellectual property rights, our revenue, earnings, expenses and liquidity

may be adversely impacted.

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

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

PAGE 10

Table of Contents

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

Weakness or worsening of global economic conditions could adversely affect our financial performance and liquidity.

The global economic environment can adversely affect sales of our products and profitability. Global financial markets have been experiencing volatility. Economic conditions could accelerate any decline in demand for traditional products, which could also place pressure on our results of operations and liquidity. There is no guarantee that anticipated economic growth levels in markets that have experienced some economic strength will continue in the future, or that we will succeed in expanding sales in these markets. In addition, accounts receivable and past due accounts could increase due to a decline in our customers' ability to pay as a result of an economic downturn, and the Company's liquidity, including our ability to use credit lines, could be negatively impacted by failures of financial instrument counterparties, including banks and other financial institutions. If global economic weakness and tightness in the credit markets exists, worsens or is attenuated, the Company's profitability and related cash generation capability could be adversely affected and, therefore, affect the Company's ability to meet the Company's anticipated cash needs, impair the Company's liquidity or increase the Company's costs of borrowing.

If we cannot attract, retain and motivate key employees, Kodak's revenue and earnings could be harmed.

In order for us to be successful, we must continue to attract, retain and motivate executives and other key employees, including technical, managerial, marketing, sales, research and support positions. Hiring and retaining qualified executives, research and engineering professionals, and qualified sales representatives, particularly in Kodak's targeted growth markets, are critical to our future. The Company intends to hire a new Chief Executive Officer, and our ability to attract and retain a new Chief Executive Officer capable of leading the Company is critical to our future success. If we do not attract qualified individuals, and retain key leaders, executives and employees, our business could be harmed.

Due to the nature of the products we sell and Kodak's worldwide distribution, we are subject to changes in currency exchange rates, interest rates and commodity costs that may adversely impact our results of

operations and financial position.

As a result of Kodak's global operating and financing activities, we are exposed to changes in currency exchange rates and interest rates, which may adversely affect our results of operations and financial position. Exchange rates and interest rates in markets in which we do business tend to be volatile and at times, our sales can be negatively impacted across all of the Company's segments depending upon the value of the U.S. dollar, the Euro and other major currencies. In addition, the Company's products contain, aluminum, silver, petroleum based or other commodity-based raw materials, the prices of which have been and may continue to be volatile. If the global economic situation remains uncertain or worsens, there could be further volatility in changes in currency exchange rates, interest rates and commodity prices, which could have negative effects on our revenue and earnings.

An inability to provide competitive financing arrangements to Kodak's customers or extension of credit to customers whose creditworthiness deteriorates, could adversely impact our revenues, profitability and financial position.

The competitive environment in which we operate may require us to facilitate or provide financing to our customers in order to win a contract. Customer financing arrangements may cover all or a portion of the purchase price for the Company's products and services. We may also assist customers in obtaining financing from banks and other sources. Our success may be

Table of Contents

dependent, in part, upon our ability to provide customer financing on competitive terms and on our customers creditworthiness. Tightening of credit in the global financial markets can adversely affect the ability of Kodak's customers to obtain financing for significant purchases, which may result in a decrease in, or cancellation of, orders for our products and services. If we are unable to provide competitive financing solutions to our customers or if we extend credit to customers whose creditworthiness deteriorates, our revenues, profitability and financial position could be adversely impacted.

We have outsourced a significant portion of Kodak's overall worldwide manufacturing, logistics and back office operations and face the risks associated with reliance on third party suppliers.

We have outsourced a significant portion of our overall worldwide manufacturing, logistics, customer support and administrative operations to third parties. To the extent that we rely on third party service providers, we face the risk that those third parties may not be able to:

develop manufacturing methods appropriate for the Company's products;

maintain an adequate control environment;

quickly respond to changes in customer demand for the Company's products;

obtain supplies and materials necessary for the manufacturing process; or

mitigate the impact of labor shortages and/or disruptions.

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

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Our worldwide operations could be subject to earthquakes, power shortages, telecommunications failures, cyber attacks, terrorism, water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics, political or economic instability, and other natural or manmade disasters or business interruptions, for

which we are predominantly self insured. The occurrence of any of these business disruptions could seriously harm our revenue and financial condition and increase our costs and expenses. In addition, some areas, including parts of the east and west coasts of the United States, have previously experienced, and may experience in the future, major power shortages and blackouts. These blackouts could cause disruptions to our operations or the operations of our suppliers, distributors and resellers, or customers. We have operations including research and development facilities in geographically disparate locations, such as Israel, Japan, China, Singapore, and Canada. The impact of these risks is greater in areas where products are manufactured at a sole or limited number of location(s), and where the sourcing of materials is limited to a sole or limited base of suppliers, since any material interruption in operations in such locations or suppliers could impact our ability to provide a particular product or service for a period of time. These events could seriously harm our revenue and financial condition, and increase our costs and expenses.

Kodak's businesses experience seasonality of sales. Therefore, lower demand for the Company's products or increases in costs during periods that are expected to be at peak in seasonality may have a pronounced negative effect on our results of operations.

Equipment sales for the DP&E Segment and for Graphics, within the GECF Segment, generally exhibit higher levels in the fourth quarter due to the seasonal nature of placements, resulting from customer or industry budgeting practices. Sales of entertainment imaging film within the GECF Segment are typically strongest in the second quarter reflecting increased demand due to the summer motion picture season. Developments during what are expected to be peak periods in seasonality, such as lower-than-anticipated demand for the Company's products, an internal systems failure, increases in materials costs, or failure of or performance problems with one of our key logistics, components supply, or manufacturing partners, could have a material adverse impact on our financial condition and operating results. Tight credit markets that limit capital investments or a weak economy that decreases print demand could negatively impact equipment or consumable sales. These external developments are often unpredictable and may have an adverse impact on our business and results of operations.

Table of Contents

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

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

We may be required to recognize impairments in the value of the Company's goodwill and/or other long-lived assets resulting from the application of fresh start accounting, which could adversely affect our results of operations.

Upon emergence from bankruptcy, we applied fresh start accounting pursuant to which the reorganization value was allocated to the individual assets and liabilities based on their estimated fair values. The excess reorganization value over the fair value of identified tangible and intangibles assets is reported as goodwill. In connection with fresh start, we also fair valued our other long-lived assets, including intangible assets. The determination of reorganization value, equity value of Successor Company common stock and fair value of assets and liabilities is dependent on various estimates and assumptions, including financial projections and the realization of certain events. We test goodwill and indefinite lived intangible assets for impairment annually or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We evaluate other long-lived assets for impairments whenever events or changes in circumstances indicate the carrying value may not be recoverable. Impairments could occur in the future if the expected future cash flows of the Company decline, market or interest rate environments deteriorate, or if carrying values change materially compared with changes in their respective fair values.

Kodak's future results could be harmed if we are unsuccessful in our efforts to expand sales in emerging markets.

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

support of multiple languages;

recruitment of sales and technical support personnel with the skills to design, manufacture, sell and supply products;

compliance with governmental regulation of imports and exports, including obtaining required import or export approval for the Company's products;

complexity of managing international operations;

exposure to foreign currency exchange rate fluctuations;

commercial laws and business practices that may favor local competition;

multiple, potentially conflicting, and changing governmental laws, regulations and practices, including differing export, import, tax, anti-corruption, labor, and employment laws;

difficulties in collecting accounts receivable;

limitations or restrictions on the repatriation of cash;

limitations or reductions in protection of intellectual property rights;

complications in logistics and distribution arrangements; and

political or economic instability.

There can be no assurance that we will be able to market and sell our products in all of Kodak's targeted markets. If our efforts are not successful, our business growth and results of operations could be harmed. As a global company, Kodak is subject to regulatory requirements and laws in the jurisdictions in which we operate, and any alleged non-compliance with these requirements or laws could result in an adverse financial or reputational impact.

Table of Contents

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

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

In addition, the Company, the New York State Department of Environmental Conservation and the New York State Urban Development Corporation have entered into a settlement agreement of the Company's historical environmental liabilities at Eastman Business Park through the establishment of a \$49 million environmental remediation trust. Should historical liabilities exceed \$49 million, New York State is responsible for payments of cost up to an additional \$50 million. In the event the historical liabilities exceed \$99 million, the Company will become liable for 50% of the portion above \$99 million, which could have a material adverse effect on our financial condition. The settlement agreement is not yet effective and is 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. Any uncertainties related to the Company's environmental obligations may impact our ability to further develop and transform Eastman Business Park.

Regulations related to conflict minerals will require the Company to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing the Company's products.

In August 2012, the SEC adopted rules requiring disclosure related to sourcing of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured by public companies. The rules, effective in 2013, require a report to be filed by May 31, 2014, and if applicable, require companies to undertake due diligence, disclose whether or not such minerals originated from the Democratic Republic of Congo or an adjoining country. As a result, the Company has developed a framework and management system consistent with the guidance issued by the Organization for Economic Co-operation and Development (OECD), and is currently performing due diligence on our supply chain. The implementation of the rules could adversely affect our sourcing, supply and pricing of materials used in the Company's products. There may only be a limited number of suppliers offering conflict free conflict minerals, and we cannot be certain that we will be able to obtain necessary conflict free conflict minerals from such suppliers in sufficient quantities or at competitive prices. Because Kodak's supply chain is complex, we may also not be able to sufficiently verify the origins of the relevant minerals used in the Company's products through the due diligence procedures that we implement, which may harm our reputation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

Products in the DP&E Segment are manufactured in the United States in Rochester, New York; Dayton, Ohio; and Weatherford, Oklahoma. Manufacturing facilities outside the United States are located in China, Japan and Canada.

Products in the GECF Segment are manufactured in the United States in Rochester, New York and Columbus, Georgia. Manufacturing facilities outside the United States are located in Germany, China, Japan, United Kingdom and Canada.

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

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

Table of Contents**ITEM 3. 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 February 10, 2012, a suit was filed in federal court in the Southern District of New York against the Chief Executive Officer, the former President and Chief Operating Officer and the former Chief Financial Officer, as a putative class action suit under the federal securities laws, claiming that certain Company statements concerning the Company's business and financial results were misleading and claiming alleged resulting damages (*Timothy A. Hutchinson v. Antonio M. Perez, Philip J. Faraci, and Antoinette McCorvey*). The District Court granted defendants' July 2, 2012 motion to dismiss this case as against all defendants but granted the plaintiffs' subsequent motion for leave to amend. Plaintiffs filed a second amended complaint against only the Chief Executive Officer and the former Chief Financial Officer (*Timothy A. Hutchinson v. Antonio M. Perez and Antoinette McCorvey*), in which they sought damages with interest, equitable relief as applicable, and attorneys' fees and costs. The District Court granted defendants' motion to dismiss the case on April 25, 2013, and plaintiffs appealed. On December 26, 2013, the Court of Appeals for the Second Circuit affirmed the decision of the District Court dismissing the case, finding that plaintiffs had failed to plead facts with the particularity required to maintain their alleged causes of action.

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). Upon implementation of the Amended EBP Settlement Agreement, (i) the EBP Trust will be 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 will fund 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 Amended EBP Settlement Agreement is not yet effective and is subject to the satisfaction or waiver of certain conditions including Bankruptcy Court approval of a covenant not to sue from the US Environmental Protection Agency (EPA) with respect to the liabilities that are addressed in the Amended EBP Settlement Agreement. The deadline for implementation of the Amended EBP Settlement Agreement is May 15, 2014.

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

ITEM 4. MINE SAFETY DISCLOSURES

None.

PAGE 15

Table of Contents**EXECUTIVE OFFICERS OF THE REGISTRANT**

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

| Name | Age | Positions Held | Date First Elected | |
|--------------------|-----|--|----------------------|-------------------|
| | | | an Executive Officer | to Present Office |
| Douglas J. Edwards | 53 | Senior Vice President | 2012 | 2012 |
| Brad W. Kruchten | 53 | Senior Vice President | 2009 | 2011 |
| Jeffrey J. Clarke | 52 | Chief Executive Officer | 2014 | 2014 |
| Rebecca A. Roof | 58 | Interim Chief Financial Officer | 2012 | 2012 |
| Eric H. Samuels | 46 | Chief Accounting Officer and Corporate Controller | 2009 | 2009 |
| Patrick M. Sheller | 52 | General Counsel, Secretary, and Chief Administrative Officer | 2012 | 2012 |
| Terry R. Taber | 59 | Senior Vice President | 2009 | 2010 |

All of the executive officers have been employed by Kodak in various executive and managerial positions for at least eight years except Ms. Roof, a managing director of AlixPartners LLP who was named to her Kodak position on September 7, 2012.

The executive officers' biographies follow:

Douglas J. Edwards, PhD

Douglas J. Edwards, PhD, is President of Digital Printing and Enterprise. He was named to the post in September 2012, and elected a Senior Vice President in October 2012. His responsibilities include Packaging, Functional Printing, Electrophotographic Solutions, Inkjet Printing Solutions, Kodak Services for Business, Consumer Inkjet Systems, and Design2Launch businesses.

Previously, Edwards was President, Digital, Packaging and Functional Printing. Between 2006 and 2012, Edwards was General Manager, Prepress Solutions, Graphic Communications Group. He was elected a Vice President in 2006. In 2005-2006 in his first role at Kodak, Edwards was General Manager and Vice President, Prepress Consumables, Graphic Communications Group.

Before joining Kodak, Edwards was Vice President, Research and Product Development, New Business and Strategy Development for Kodak Polychrome Graphics (KPG), a joint venture between Kodak and Sun Chemical. During his time at KPG, Edwards commercialized many of Kodak's market-leading digital consumable products, now with annual revenues of more than \$1.5 billion.

Edwards joined KPG in 1998 from International Paper's Imaging Products Division, where for two years he had worldwide responsibility for technology and product commercialization as Vice President, Product and Manufacturing Process Development. Previously, he was with Zeneca Specialties and ICI Colors & Fine Chemicals in the U.K. for eight years in a variety of senior marketing, manufacturing and research positions. Edwards started his industrial

career with Ilford Ltd, Ciba-Geigy in 1985 as a research chemist, and has a number of scientific papers, patents and other publications to his name.

Edwards earned his PhD in 1985 from the University of London in superconducting organic materials, sponsored by Ciba-Geigy and the British Government's Science & Engineering Research Council. Edwards also has a BSc in Chemistry from London University.

Brad W. Kruchten

Brad W. Kruchten is President of Graphics, Entertainment & Commercial Films, which includes Prepress, Entertainment Imaging, Commercial Film, and Global Consumables Manufacturing, a position he has held since 2011.

Previously, Kruchten was President of the Film, Photofinishing & Entertainment Group (FPEG), a position to which he was named in 2009 and was subsequently elected as a Senior Vice President. Prior to that, Kruchten held positions as General Manager for Retail Printing and General Manager for Consumer and Professional Film, and was elected a Vice President in 2002.

Table of Contents

Kruchten's career at Kodak began in 1982 as a quality engineer, and he subsequently held roles in manufacturing and research engineering. In 1986, he moved into a sales position for Copy Products, and later held sales and marketing positions before becoming a product line manager for Business Imaging Systems, responsible for retrieval products.

Between 1998 and 2001, he served in management roles in the Document Imaging unit, which became the world's leading seller of high-speed production scanners. In 2001, Kruchten was named Site Manager, Kodak Colorado Division, and became a divisional vice president of Kodak's Global Manufacturing unit. In 2002, he was named the Chief Executive Officer of Encad Inc., a wholly-owned Kodak subsidiary.

Prior to Kodak, Kruchten worked as a project engineer at Inland Steel and as a tool designer for General Motors Corp.

A native of Flint, Michigan, Kruchten has a B.S. in Engineering from Michigan State University, a M.S. in Statistics and Quality Management from the Rochester Institute of Technology, and has attended the Executive Management Development program at Penn State University.

Jeffrey J. Clarke

Jeffrey Clarke is the Chief Executive Officer of Kodak.

Prior to joining Kodak, Clarke was a Managing Partner of Augusta Columbia Capital (ACC), a private investment firm he co-founded in 2012. Prior to joining ACC, Clarke was the Chairman of Travelport, Inc., a private, travel technology firm, where he served as CEO from 2006 to 2011, after leading its sale from Cendant Corporation to the Blackstone Group for \$4.3 billion in 2006.

Clarke was the Chief Operating Officer of CA, Inc., an enterprise software company, from 2004 to 2006. At CA, he was responsible for sales, services, distribution, corporate finance, mergers & acquisitions, information technology, corporate strategy and planning.

From 2002 to 2003, Clarke was an Executive Vice President of Global Operations at Hewlett-Packard. In this role, he was responsible for HP's worldwide supply chain, manufacturing, procurement and internet operations. He also co-led HP's merger integration with Compaq Computer. Prior to HP, Clarke was the Chief Financial Officer of Compaq Computer, which he joined in 1998 following the merger of Compaq with Digital Equipment Corporation (DEC). Clarke was with DEC from 1985 to 1998, serving in management roles in international operations, finance and manufacturing.

Clarke has served as Chairman of Orbitz Worldwide, a global online travel agency, since leading the company's IPO in July 2007. He has served on the board of directors of Red Hat, Inc, an enterprise software company, since 2008, and has also been a director the Compuware Corporation, an enterprise software company, since 2013.

Clarke earned an MBA from Northeastern University, where he serves as a Trustee. He holds a B.A. in Economics from SUNY Geneseo.

Rebecca A. Roof

Rebecca A. Roof was named Interim Chief Financial Officer in September 2012. She is a Managing Director at AlixPartners LLP, where she provides interim and crisis management and consulting services to troubled and underperforming companies in a broad array of industries.

Prior to her appointment to Kodak, Ms. Roof's roles included Chief Financial Officer of a radiologic services provider (2012), Chief Restructuring Officer of think3 Inc. (2011-2012), Controller of LyondellBasell Industries (2009-2010), Chief Administrative and Chief Restructuring Officer of Taro Pharmaceuticals (2006), Chief Financial Officer of Anchor Glass Company (2005), Chief Financial and Chief Restructuring Officer of Atkins Nutritionals (2004), and advisor to multiple companies in the areas of business plan development, strengthening of the finance function, liquidity and cash management, cost reductions, and debt restructurings. Before joining the predecessor to AlixPartners LLP, Ms. Roof was a Director with Price Waterhouse and a Senior Manager with Ernst & Young.

Ms. Roof is active in a wide variety of industry activities. She is a fellow of the American College of Bankruptcy, and a Director of the American Bankruptcy Institute, an Advisory Board member of Texas Women on Wall Street, and a Director of Peach Outreach. She graduated from Trinity University with degrees in business administration and geology.

Table of Contents

Eric H. Samuels

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

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

Samuels has a B.S. degree in business economics from the State University of New York College at Oneonta. He is a Certified Public Accountant in New York and a member of the American Institute of Certified Public Accountants.

Patrick M. Sheller

Patrick M. Sheller is General Counsel, Secretary and Chief Administrative Officer of Kodak.

He was named Kodak's General Counsel in 2011 and has served as Secretary to the Board of Directors since 2009. In January 2012, he was also appointed Chief Administrative Officer and elected a Senior Vice President of the Company by the Board of Directors.

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

Sheller led the legal, human resources, communications, and other functional aspects of Kodak's successful chapter 11 reorganization completed on September 3, 2013. Sheller continues to supervise these functions in Kodak's ongoing transformation into a technology leader focused on imaging for business.

Sheller joined Kodak in 1993 as division counsel to the Company's former Health Group. From 1999 to 2004, he served as Kodak's Chief Antitrust Counsel. From 2000 to 2004, Sheller was based in Europe and advised Kodak's European, African & Middle Eastern Region businesses on commercial legal issues. He then returned to Kodak's Rochester headquarters to assume business development and operating roles in Kodak's Health Care Information Systems business. From 2005 to 2011, Sheller served as Chief Compliance Officer of the Company. He was elected Secretary of the Board in 2009, and served as Deputy General Counsel in 2011.

Sheller has a B.A. degree in economics and government from St. Lawrence University and a J.D. degree from Albany Law School of Union University.

Terry R. Taber, PhD

Terry R. Taber joined Kodak in 1980. In January 2009, he was named Chief Technical Officer. The Board of Directors elected him a corporate vice president in December 2008, and then a senior vice president in December 2010.

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

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

Taber received a B.S. degree in Chemistry from Purdue University and a Ph.D. in Organic Chemistry from the California Institute of Technology. He also received an M.S. in General Management from MIT as a Kodak Sloan Fellow. In 2003, he was elected to the Board of Trustees at Roberts Wesleyan College and Northeastern Seminary. Taber is a board member of the Innovation & Material Sciences Institute and serves on the Executive Advisory Board of FIRST Rochester (For Inspiration and Recognition of Science and Technology). He also serves on the Executive Committee of the Rochester Business Alliance and the New York State Business Council.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

In connection with the Company's reorganization and emergence from bankruptcy, all shares of common stock outstanding prior to emergence were canceled on September 3, 2013. On September 23, 2013, the Company's new common stock started trading on the Over the Counter (OTC) market under the symbol EKOD. On November 1, 2013 the Company listed its common stock on the New York Stock Exchange (NYSE) under the symbol KODK. Upon listing on the NYSE, the common stock ceased to be listed on the OTC market. There were 1,511 shareholders of record of common stock on March 3, 2014.

MARKET PRICE DATA

The market price data below reflects the high and low sales price of the Company's stock since September 23, 2013.

| Price per share: | 2013 | |
|------------------|----------|----------|
| | High | Low |
| 3rd Quarter | \$ 26.50 | \$ 19.25 |
| 4th Quarter | \$ 34.71 | \$ 22.00 |

DIVIDEND INFORMATION

No dividends were paid during 2012 or 2013.

Dividends may be restricted under Kodak's debt agreements. Refer to Note 11, Short-Term Borrowings and Long-Term Debt, in the Notes to Financial Statements.

PERFORMANCE GRAPH SHAREHOLDER RETURN

The following graph compares the performance of the Company's common stock with the performance of the Standard & Poor's (S&P) Information Technology Index and the S&P Midcap 400 Composite Stock Price Index by measuring the monthly changes in common stock prices from September 23, 2013 (the date the Company's common stock commenced trading), plus reinvested dividends.

Table of Contents

| | 9/23/13 | 9/30/2013 | 10/31/2013 | 11/30/2013 | 12/31/2013 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Eastman Kodak Company | 100.00 | 128.87 | 134.02 | 136.49 | 178.92 |
| S&P Midcap 400 | 100.00 | 105.21 | 109.12 | 110.56 | 113.98 |
| S&P Information Technology | 100.00 | 102.88 | 107.61 | 111.88 | 116.52 |

ISSUER PURCHASES OF EQUITY SECURITIES

During the fourth quarter of 2013, in connection with the issuance of stock to unsecured claim holders under the Plan, the Company purchased 152,746 shares of common stock, in the form of a withholding of those shares, to satisfy tax withholding obligations in the approximate amount of \$3 million.

PAGE 20

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA
EASTMAN KODAK COMPANY****SUMMARY OF OPERATING DATA UNAUDITED**

| | Successor | | Predecessor | | | |
|---|---------------------|---------------------|--------------------|-----------------|-----------------|-----------------|
| | September 1 | | | | | |
| | 2013 | January 1, | | | | |
| | through | 2013 through | | | | |
| | December 31, | August 31, | | | | |
| | 2013 | 2013 | 2012 (9) | 2011 (9) | 2010 (9) | 2009 (9) |
| (Millions, except per share data, shareholders, and employees) | (9) | (9) | | | | |
| Sales from continuing operations (8) | \$ 805 | \$ 1,542 | \$ 2,719 | \$ 3,585 | \$ 4,438 | \$ 6,240 |
| Earnings (loss) from continuing operations before interest expense, loss on extinguishment of debt, other income (charges), reorganization items, net, and income taxes | (48) | 457 | (642) | (616) | (263) | 80 |
| Earnings (loss) from: | | | | | | |
| Continuing operations | (82)(1) | 2,201(2) | (1,337)(3) | (739)(4) | (560)(5) | (11)(6) |
| Continued operations | 4(7) | (135)(7) | (42)(7) | (25)(7) | (128) | (9)(8) |
| Loss earnings | (78) | 2,066 | (1,379) | (764) | (688) | (21)(9) |
| Net earnings attributable to noncontrolling interests | 3 | | | | | |
| Loss) earnings Attributable to Eastman Kodak Company | (81) | 2,066 | (1,379) | (764) | (688) | (21) |
| Earnings and Dividends | | | | | | |
| Return on earnings from continuing operations | | | | | | |
| Return on net sales from continuing operations | -10.2% | 142.7% | -49.2% | -20.6% | -12.6% | -1.1% |
| Return on (loss) earnings | | | | | | |
| Return on average equity | -12.7% | 70.6% | -45.8% | -44.6% | -124.0% | -41.1% |
| Return on diluted (loss) earnings per share attributable to Eastman Kodak Company common shareholders: | | | | | | |
| Continuing operations | (2.04) | 8.08 | (4.92) | (2.75) | (2.08) | (0.4) |
| Continued operations | 0.10 | (0.50) | (0.15) | (0.09) | (0.48) | (0.3) |
| Dividends declared and paid | (1.94) | 7.58 | (5.07) | (2.84) | (2.56) | (0.7) |
| Common shares | | | | | | |
| Weighted average common share | | | | | | |
| Weighted average common shares outstanding at end of period | 41.7 | 272.7 | 271.8 | 269.1 | 268.5 | 268.5 |
| Common shareholders at year end | 1,511 | N/A | 48,656 | 49,760 | 51,802 | 54,070 |
| Statement of Financial Position Data | | | | | | |
| Working capital | 1,086 | 564 | (806) | (60) | 966 | 1,400 |
| Property, plant and equipment, net | 684 | 507 | 607 | 796 | 1,037 | 1,250 |
| Intangible assets | 3,200 | 3,037 | 4,321 | 4,676 | 6,226 | 7,680 |
| Long-term borrowings and current portion of long-term debt | 4 | 681 | 699 | 152 | 50 | 60 |
| Long-term debt, net of current portion | 674 | 370 | 740 | 1,363 | 1,195 | 1,120 |

Table of Contents**EASTMAN KODAK COMPANY****SUMMARY OF OPERATING DATA UNAUDITED (CONT D)**

| | Successor September 1 2013 January 1, through 2013 through December 31, 2013 August 31, 2013 | | Predecessor | | | |
|--|--|--------|-------------|----------|----------|----------|
| | (9) | (9) | 2012 (9) | 2011 (9) | 2010 (9) | 2009 (9) |
| Supplemental Information | | | | | | |
| Net sales from continuing operations: | | | | | | |
| Graphics, Entertainment and Commercial Films | \$ 519 | \$ 987 | \$ 1,680 | \$ 2,341 | \$ 3,290 | \$ 3,262 |
| Digital Printing and Enterprise | 284 | 519 | 939 | 1,099 | 950 | 854 |
| All Other | 2 | 36 | 100 | 145 | 198 | 2,132 |
| Research and development costs | 33 | 66 | 168 | 195 | 249 | 280 |
| Depreciation | 67 | 91 | 182 | 221 | 318 | 354 |
| Employees as of year end | | | | | | |
| - in the U.S. | 3,600 | | 5,980 | 8,350 | 9,600 | 10,630 |
| - worldwide | 8,800 | | 13,100 | 17,100 | 18,800 | 20,250 |

* Historical results are not indicative of future results.

1. Includes pre-tax restructuring charges of \$17 million; \$16 million in pre-tax reorganization items, net; \$6 million of income related to gains on asset sale; income from corporate components of pension and OPEB of \$67 million; and \$8 million in impairment charges. These items decreased net loss from continuing operations by \$32 million.
2. Includes pre-tax licensing revenue of \$535 million, pre-tax goodwill impairment charges of \$77 million; pre-tax restructuring charges of \$49 million; income of \$2,026 million in pre-tax reorganization items, net; \$34 million of income related to gains on asset sales; income from corporate components of pension and OPEB costs of \$43 million; and net charges of \$84 million related to discrete tax items. These items increased net income from continuing operations by \$2.4 billion.
3. Includes pre-tax restructuring charges of \$232 million; \$843 million in pre-tax reorganization items, net; \$50 million of income related to gains on asset sales; \$35 million associated with the termination of a supply agreement; expense from corporate components of pension and OPEB costs of \$2 million; \$4 million of income related to reversals of value-added tax reserves; and a net benefit of \$320 million related to discrete tax items. These items increased net loss from continuing operations by \$673 million.
4. Includes pre-tax impairment charges of \$13 million; pre-tax restructuring charges of \$120 million; \$69 million of income related to gains on asset sales; income from corporate components of pension and OPEB costs of \$61 million; \$3 million of income related to reversals of value-added tax reserves; and a net benefit of \$38 million related to discrete tax items. These items increased net loss from continuing operations by \$25 million.
5. Includes a pre-tax goodwill impairment charge of \$626 million; pre-tax restructuring charges of \$77 million; a \$102 million loss on early extinguishment of debt; \$8 million of income related to gains on assets sales; \$19 million of income related to legal contingencies and settlements; \$6 million of charges related to foreign contingencies; and a net benefit of \$109 million related to discrete tax items. These items increased net loss from continuing operations by \$698 million.

6. Includes pre-tax restructuring and rationalization charges of \$245 million; a \$5 million charge related to a legal settlement; \$100 million of income related to gains on asset sales; \$7 million of income related to the reversal of negative goodwill; \$10 million of income related to reversals of value-added tax reserves; and a \$6 million asset impairment charge. These items increased net loss from continuing operations by \$131 million.
7. Refer to Note 26, *Discontinued Operations* in the Notes to Financial Statements for a discussion regarding the earnings (loss) from discontinued operations.
8. Includes revenues from non-recurring intellectual property licensing agreements of \$7 million for the four months ended December 31, 2013, \$31 million for the eight months ending August 31, 2013, \$(61) million in 2012, \$82 million in 2011, \$838 million in 2010 and \$435 million in 2009.
9. Effective in the second quarter of 2013, due to the sale of the Business to the KPP Purchasing Parties, results for 2011, 2012 and 2013 were restated to report the Business as discontinued operations. Results for 2009 and 2010 were not restated.

Table of Contents

Corporate components of pension and OPEB include interest cost, expected return on plan assets, amortization of actuarial gains and losses, 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 in the Consolidated Statement of Operations.

PAGE 23

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand the results of operations and financial condition of Kodak for the four months ended December 31, 2013, eight months ended August 31, 2013 and for the years ended December 31, 2012 and 2011. All references to Notes relate to Notes to the Financial Statements in Item 8. Financial Statements and Supplementary Data.

OVERVIEW

Prior to emergence from chapter 11 Kodak took many actions to reduce legacy obligations and improve the profitability of its emerging commercial imaging business. These actions included the following:

In November 2012, the Bankruptcy Court entered an order approving a settlement agreement between the Debtors and the retiree committee appointed by the U.S. Trustee related to its U.S. postretirement benefit plans. Under the settlement agreement, the Debtors no longer provide retiree medical, dental, life insurance, and survivor income benefits to current and future retirees after December 31, 2012 (other than COBRA continuation coverage of medical and/or dental benefits available to active employees or conversion coverage as required by the plans or applicable law).

In February 2013, Kodak received approximately \$530 million related to the sale and licensing of certain of its intellectual property assets and repaid approximately \$419 million of the then outstanding term loan under the DIP Credit Agreement.

On the Effective Date, Kodak received net cash consideration of \$325 million for the sale of certain assets and liabilities of its Personalized Imaging and Document Imaging businesses as part of the KPP Global Settlement, which also included the settlement of the U.K. pension plan liability.

Kodak expects to continue to improve its profitability by focusing on the placement of equipment and the generation of profitable annuities in its Digital Printing, Packaging and Enterprise businesses as well as the continued generation and enhancement of profits in its large consumable-based Graphics business through differentiation from the competition with its process free technology. Kodak also expects functional printing to contribute to profitable growth in 2014 and beyond.

As of December 31, 2013, Kodak has total assets of \$3.2 billion, total liabilities of \$2.6 billion and equity of approximately \$650 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Revenue Recognition

Kodak's revenue transactions include sales of products (such as components and consumables for use in Kodak and other manufacturers' equipment, and film based products), equipment, software, services, integrated solutions, and intellectual property licensing. The timing and the amount of revenue recognized depend upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. For equipment sales, revenue recognition may depend on completion of installation based on the type of equipment, level of customer specific customization and other contractual terms. In instances in which the agreement with the customer contains a customer acceptance clause, revenue is deferred until customer acceptance is obtained, provided the customer acceptance clause is considered to be substantive.

Table of Contents

Kodak evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value to the customer, and if the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in Kodak's control. If these criteria are not met, the arrangement is accounted for as one unit of accounting and the recognition of revenue occurs upon delivery/completion or ratably as a single unit of accounting over the contractual service period.

For multiple-element arrangements, Kodak allocates to, and recognizes revenue from, the various elements based on their relative selling price, using vendor-specific objective evidence (VSOE), third-party evidence (TPE), and best estimated selling price (BESP) in accordance with the selling price hierarchy. BESP is established by considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. Consideration is also given to geographies, market conditions such as competitor pricing strategies and industry technology life cycles.

Revenue allocated to an individual element is recognized when all revenue recognition criteria are met for that element. Kodak limits the amount of revenue recognized for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

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

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

Kodak performs a test for goodwill impairment annually and whenever events or changes in circumstances occur that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Historically, Kodak performed its annual goodwill impairment assessment as of September 30. Upon application of fresh start accounting, Kodak elected October 1 as the annual goodwill impairment assessment date.

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

As of December 31, 2012, the Graphics, Entertainment and Commercial Films Segment had two goodwill reporting units: Graphics and Entertainment Imaging and Commercial Films. The Digital Printing and Enterprise Segment had four goodwill reporting units: Digital Printing, Packaging and Functional Printing, Enterprise Services and Solutions, and Consumer Inkjet Systems. The Personalized and Document Imaging segment had three goodwill reporting units: Personalized Imaging, Document Imaging and Intellectual Property.

Effective in the first quarter of 2013, the Intellectual Property and Brand Licensing reporting unit was reported in the Graphics, Entertainment and Commercial Films Segment. Goodwill assigned to the Intellectual Property and Brand Licensing reporting unit of approximately \$113 million as of December 31, 2012 was previously reported in the Personalized and Document Imaging Segment. Due to the sale of its digital imaging patents during the first quarter of 2013, Kodak concluded that the carrying value of goodwill for its Intellectual Property and Brand Licensing reporting unit exceeded the implied fair value of goodwill. The fair value of the Intellectual Property and Brand Licensing reporting unit was estimated using an income approach in which the future cash flows, including a terminal value at the end of the projection period, were discounted to present value. Kodak recorded a pre-tax impairment charge of \$77 million that is included in Other operating expense (income), net in the Consolidated Statement of Operations.

Effective in the second quarter of 2013, due to the Personalized and Document Imaging disposal group being reported as assets held for sale, goodwill of approximately \$140 million in the Personalized and Document Imaging Segment was reported as a component of assets held for sale as of June 30, 2013 and subsequently written-off as part of the loss on sale of the Personalized and Document Imaging businesses.

As part of fresh start accounting, Kodak adjusted the carrying value of goodwill to \$88 million which represents the reorganizational value of assets in excess of amounts allocated to identified tangible and intangible assets. Goodwill that was recorded as part of fresh start accounting was allocated to the Graphics, Packaging and Functional Printing, Intellectual Property and Brand Licensing and Consumer Inkjet Systems reporting units.

Table of Contents

Goodwill is impaired if the fair value of a reporting unit is less than the related carrying value. Kodak may assess qualitative factors for some or all of its reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. If Kodak determines that it is more likely than not that a reporting unit's fair value is less than its carrying amount, or if Kodak elects to bypass the qualitative assessment for any of its reporting units, then the fair value of that reporting unit is compared to its carrying value.

If the fair value of a reporting unit is less than its carrying value, Kodak must determine the implied fair value of the goodwill associated with that reporting unit. The implied fair value of goodwill is determined by first allocating the fair value of the reporting unit to all of its assets and liabilities and then computing the excess of the reporting unit's fair value over the amounts assigned to the assets and liabilities. If the carrying value of goodwill exceeds the implied fair value of goodwill, such excess represents the amount of goodwill impairment charge that must be recognized.

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

Kodak estimates the fair value of its reporting units using the guideline public company method and discounted cash flow method. To estimate fair value utilizing the guideline public company method, Kodak applies valuation multiples, derived from the operating data of publicly-traded benchmark companies, to the same operating data of the reporting units. The valuation multiples are based on financial measures of revenue, earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings before interest and taxes (EBIT). To estimate fair value utilizing the discounted cash flow method, Kodak establishes an estimate of future cash flows for each reporting unit and discounts those estimated future cash flows to present value.

As part of fresh start accounting, Kodak estimated the fair value of each of its reporting units. Except for the Graphics reporting unit, Kodak did not use the guideline public company method because reporting unit EBIT and/or EBITDA results were negative, which would have only allowed the application of a revenue multiple in determining fair value under the guideline public company method, and/or reporting units ranked below all the selected market participants for these financial measures. When using the guideline public company method, multiples should be derived from companies that exhibit a high degree of comparability to the business being valued. Kodak ultimately gave 100% weighting to the discounted cash flow method for these reporting units. For the Graphics reporting unit, Kodak selected equal weighting of the guideline public company method and the discounted cash flow method as the valuation approaches produced comparable ranges of fair value.

To estimate fair value utilizing the discounted cash flow method, Kodak established an estimate of future cash flows for the period ranging from September 1, 2013 to December 31, 2022 and discounted the estimated future cash flows to present value. The expected cash flows for the period September 1, 2013 to December 31, 2017 were based on the financial projections and assumptions utilized in the disclosure statement in support of the Plan. The expected cash flows for the period January 1, 2018 to December 31, 2022 were derived from earnings forecasts and assumptions regarding growth and margin projections, as applicable. The discount rates are estimated based on an after-tax weighted average cost of capital (WACC) for each reporting unit reflecting the rate of return that would be expected by a market participant. The WACC also takes into consideration a company specific risk premium for each reporting unit reflecting the risk associated with the overall uncertainty of the financial projections. Discount rates of 27% to 32% were utilized in the fresh start valuation based on Kodak's best estimates of the after-tax weighted-average cost of capital of each reporting unit.

A terminal value was included for all reporting units, except for the Intellectual Property and Brand Licensing and Consumer Inkjet Systems reporting units, at the end of the cash flow projection period to reflect the remaining value that the reporting unit is expected to generate. The terminal value is calculated using the constant growth method (CGM) based on the cash flows of the final year of the discrete period.

For the 2013 annual goodwill test, Kodak elected to utilize the qualitative assessment for all reporting units with goodwill balances due to the fresh start valuation being performed as of September 1, 2013. In performing the qualitative assessment, Kodak updated the carrying values of each reporting unit, compared actual results to budgeted performance and considered the extent to which adverse events and circumstances could affect the fair value of a reporting unit since the fresh start valuation. Based on the results of this assessment, no impairment of goodwill was indicated. Impairment of goodwill could occur in the future if a reporting unit's fair value changes significantly from the amounts estimated as part of fresh start accounting, if market or interest rate environments deteriorate, or if a reporting unit's carrying value changes materially compared with changes in its fair values.

Table of Contents

In conjunction with fresh start accounting, Kodak recorded a \$54 million indefinite-lived intangible asset related to the Kodak trade name. The Kodak trade name was valued using the income approach, specifically the relief from royalty method based on the following significant assumptions: (a) forecasted revenues ranging from September 1, 2013 to December 31, 2022, including a terminal year with growth rates ranging from 0% to 3%; (b) royalty rates ranging from .5% to 1% of expected net sales determined with regard to comparable market transactions and profitability analysis; and (c) discount rates ranging from 27% to 32%, which were based on the after-tax weighted-average cost of capital.

The carrying value of the Kodak trade name is evaluated for potential impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that the asset is impaired. Kodak elected October 1 as the annual impairment assessment date.

For the 2013 annual impairment test of the Kodak trade name, Kodak elected to utilize the qualitative assessment due to the fresh start valuation being performed as of September 1, 2013. In performing the qualitative assessment, Kodak compared actual results to forecasted revenues and considered the extent to which adverse events and circumstances could affect the fair value of the Kodak trade name since the fresh start valuation. Based on the results of this assessment, no impairment of the Kodak trade name was indicated.

Subsequent to the annual impairment test of the Kodak trade name and due to Kodak revising its projected 2014 revenue estimates, Kodak concluded that the carrying value of the Kodak trade name, estimated as part of fresh start accounting, exceeded its fair value. Kodak recorded a pre-tax impairment charge of \$8 million that is included in Other operating expense (income), net in the Consolidated Statement of Operations. The fair value of the Kodak trade name was valued as of December 31, 2013 using the income approach, specifically the relief from royalty method based on the following significant assumptions: (a) forecasted revenues ranging from January 1, 2014 to December 31, 2022, including a terminal year with growth rates ranging from -3% to 3%; (b) royalty rates ranging from .5% to 1% of expected net sales determined with regard to comparable market transactions and profitability analysis; and (c) discount rates ranging from 26% to 31%, which were based on the after-tax weighted-average cost of capital. Additional impairments of the Kodak trade name could occur in the future if expected revenues decline or if there are significant changes in the discount or royalty rates.

Kodak's long-lived assets other than goodwill and indefinite-lived intangible assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. When evaluating long-lived assets for impairment, Kodak compares the carrying value of an asset group to its estimated undiscounted future cash flows. An impairment is indicated if the estimated future cash flows are less than the carrying value of the asset group. The impairment is the excess of the carrying value over the fair value of the long-lived asset group.

As part of fresh start accounting, Kodak fair valued property, plant and equipment and revised depreciable lives to reflect the remaining estimated useful life of the assets. Kodak depreciates the value of property, plant, and equipment over its expected useful life in such a way as to allocate it as equitably as possible to the periods during which services are obtained from their use, which aims to distribute the value over the remaining estimated useful life of the unit in a systematic and rational manner. An estimate of useful life not only considers the economic life of the asset, but also the remaining life of the asset to the entity. Impairment of long-lived assets other than goodwill and indefinite lived intangible assets could occur in the future if expected future cash flows decline or if there are significant changes in the estimated useful life of the assets.

Income Taxes

Kodak recognizes deferred tax liabilities and assets for the expected future tax consequences of operating losses, credit carry-forwards and temporary differences between the carrying amounts and tax basis of Kodak's assets and liabilities. Kodak records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized. Kodak has considered forecasted earnings, future taxable income, the geographical mix of earnings in the jurisdictions in which Kodak operates and prudent and feasible tax planning strategies in determining the need for these valuation allowances. As of December 31, 2013, Kodak has net deferred tax assets before valuation allowances of approximately \$1,008 million and a valuation allowance related to those net deferred tax assets of approximately \$953 million, resulting in net deferred tax assets of approximately \$55 million. If Kodak were to determine that it would not be able to realize a portion of its net deferred tax assets in the future, for which there is currently no valuation allowance, an adjustment to the net deferred tax assets would be charged to earnings in the period such determination was made. Conversely, if Kodak were to make a determination that it is more likely than not that deferred tax assets, for which there is currently a valuation allowance, would be realized, the related valuation allowance would be reduced and a benefit to earnings would be recorded. Kodak considers both positive and negative evidence, in determining whether a valuation allowance is needed by territory, including, but not limited to, whether particular entities are in three year cumulative income positions. During the eight months ended August 31, 2013, Kodak determined that it was more likely than not that a portion of its deferred tax assets outside the U.S. would not be realized due to changes in the business resulting from the KPP Global Settlement and the related sale of the Business. As a result, Kodak recorded a tax provision of \$100 million associated with the establishment of a valuation allowance on those deferred tax assets.

PAGE 27

Table of Contents

Additionally, during the eight months ended August 31, 2013, Kodak determined that it was more likely than not that a portion of the deferred tax assets outside the U.S. would not be realized due to the change in the company's business as a result of restructuring associated with the emergence from bankruptcy and accordingly, recorded a provision of \$46 million associated with the establishment of a valuation allowance on those deferred tax assets. During 2012 and 2011, Kodak determined that it was more likely than not that a portion of the deferred tax assets outside the U.S. would not be realized due to reduced manufacturing volumes negatively impacting profitability in a location outside the U.S. and accordingly, recorded a provision of \$30 million and \$53 million, respectively, associated with the establishment of a valuation allowance on those deferred tax assets.

In general, the amount of tax expense or benefit from continuing operations is determined without regard to the tax effects of other categories of income or loss, such as Other comprehensive (loss) income. However, an exception to this rule applies when there is a loss from continuing operations and income from items outside of continuing operations that must be considered. This exception requires that income from discontinued operations, extraordinary items, and items charged or credited directly to other comprehensive income be considered in determining the amount of tax benefit that results from a loss in continuing operations. This exception affects the allocation of the tax provision amongst categories of income.

The undistributed earnings of Kodak's foreign subsidiaries are not considered permanently reinvested. Kodak recorded a deferred tax liability (net of related foreign tax credits) of \$213 million and \$374 million on the foreign subsidiaries undistributed earnings for years ended December 31, 2013 and 2012, respectively. This deferred tax liability was fully offset by Kodak's U.S. valuation allowance. Kodak also recorded a deferred tax liability of \$23 million and \$42 million for the potential foreign withholding taxes on the undistributed earnings for years ended December 31, 2013 and 2012, respectively.

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

Pension and Other Postretirement Benefits

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

Asset and liability modeling studies are utilized by Kodak to adjust asset exposures and review a liability hedging program through the use of forward looking correlation, risk and return estimates. Those forward looking estimates of correlation, risk and return generated from the modeling studies are also used to estimate the EROA. The EROA is

estimated utilizing a forward-looking building block model factoring in the expected risk of each asset category, return and correlation over a five to seven year horizon, and weighting the exposures by the current asset allocation. Historical inputs are utilized in the forecasting model to frame the current market environment with adjustments made based on the forward looking view. Kodak aggregates investments into major asset categories based on the underlying benchmark of the strategy. Kodak's asset categories include broadly diversified exposure to U.S. and non-U.S. equities, U.S. and non-U.S. government and corporate bonds, inflation-linked bonds, commodities and absolute return strategies. Each allocation to these major asset categories is determined within the overall asset allocation to accomplish unique objectives, including enhancing portfolio return, providing portfolio diversification, or hedging plan liabilities.

The EROA, once set, is applied to the calculated value of plan assets in the determination of the expected return component of Kodak's pension expense. Kodak uses a calculated value of plan assets, which recognizes gains and losses in the fair value of assets over a four-year period, to calculate expected return on assets. At December 31, 2013, the calculated value of the assets of Kodak's major U.S. and non-U.S. defined benefit pension plans was approximately \$5.0 billion and the fair value was approximately \$5.1 billion. Asset gains and losses that are not yet reflected in the calculated value of plan assets are not included in amortization of unrecognized gains and losses.

PAGE 28

Table of Contents

Kodak reviews its EROA assumption annually. To facilitate this review, every three years, or when market conditions change materially, Kodak's larger plans will undertake asset allocation or asset and liability modeling studies. The weighted average EROA used to determine net pension expense for major U.S. and non-U.S. defined benefit pension plans was 8.20% and 5.35% for the four months ended December 31, 2013 and 8.12% and 6.54% for the eight months ended August 31, 2013, respectively.

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

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

The following table illustrates the sensitivity to a change to certain key assumptions used in the calculation of expense for the year ending December 31, 2014 and the projected benefit obligation (PBO) at December 31, 2013 for Kodak's major U.S. and non-U.S. defined benefit pension plans:

| (in millions) | Impact on 2014 | | Impact on PBO | |
|--|-------------------------|----------|---------------------|----------|
| | Pre-Tax Pension Expense | | December 31, 2013 | |
| | Increase (Decrease) | | Increase (Decrease) | |
| | U.S. | Non-U.S. | U.S. | Non-U.S. |
| Change in assumption: | | | | |
| 25 basis point decrease in discount rate | \$ (6) | \$ (1) | \$ 103 | \$ 31 |
| 25 basis point increase in discount rate | 5 | 1 | (99) | (29) |
| 25 basis point decrease in EROA | 10 | 2 | n/a | n/a |
| 25 basis point increase in EROA | (10) | (2) | n/a | n/a |

Total pension (income) expense from continuing operations before special termination benefits, curtailments and settlements for the major funded and unfunded defined benefit pension plans in the U.S. was \$(48) million and \$25 million for the four months ended December 31, 2013 and the eight months ended August 31, 2013, respectively, and is expected to be approximately \$(100) million in 2014. Pension (income) expense from continuing operations before special termination benefits, curtailments and settlements for the major funded and unfunded non-U.S. defined benefit pension plans was \$(2) million and \$17 million for the four months ended December 31, 2013 and the eight months ended August 31, 2013, respectively and is projected to be approximately \$(5) million in 2014. The shift from expense to income in the successor period of 2013 is expected to continue in 2014 and results primarily from the recognition of actuarial losses previously deferred as part of accumulated other comprehensive income with the application of fresh start accounting.

Kodak expects the expense, before curtailment and settlement gains and losses of its major other postretirement benefit plans, to be approximately \$5 million in 2014 as compared with expense (income) of \$1 million and \$(69) million for the four months ended December 31, 2013 and the eight months ended August 31, 2013, respectively. The shift from income to expense in the successor period of 2013 is expected to continue in 2014 and results from the recognition of prior service credits previously deferred as part of accumulated other comprehensive income with the

application of fresh start accounting.

Environmental Commitments

Environmental liabilities are accrued based on undiscounted estimates of known environmental remediation responsibilities. The liabilities include accruals for sites owned or leased by Kodak, sites formerly owned or leased by Kodak, and other third-party sites where Kodak was designated as a potentially responsible party (PRP). The amounts accrued for such sites are based on these estimates, which are determined using the ASTM Standard E 2137-06,

Standard Guide for Estimating Monetary Costs and Liabilities for Environmental Matters. The overall method includes the use of a probabilistic model that forecasts a range of cost estimates for the remediation required at individual sites. Kodak s estimate includes equipment and operating costs for investigations, remediation and long-term monitoring of the sites. Such estimates may be affected by changing determinations of what constitutes an environmental liability or an acceptable level of remediation. Kodak s estimate of its environmental liabilities may also change if the proposals to regulatory agencies for desired methods and outcomes of remediation are viewed as not acceptable, or additional exposures are identified. Kodak has an ongoing monitoring process to assess how activities, with respect to the known exposures, are progressing against the accrued cost estimates.

Table of Contents

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 1, *Basis of Presentation and Significant Accounting Policies*, in the Notes to Financial Statements in Item 8.

KODAK OPERATING MODEL AND REPORTING STRUCTURE

As of December 31, 2013, 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. Within each of Kodak's reportable segments are various components, or Strategic Product Groups (*SPGs*). Throughout the remainder of this document, references to the segments' *SPGs* are indicated in italics.

Graphics, Entertainment and Commercial Films Segment (*GECF*): The Graphics, Entertainment and Commercial Films Segment consists of three *SPGs*, *Graphics, Entertainment & Commercial Films*, and *Intellectual Property & Brand Licensing*.

Digital Printing and Enterprise Segment (*DP&E*): The Digital Printing and Enterprise Segment consists of four *SPGs*, *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 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.

Change in Segment Measure of Profit and Loss

During the second quarter of 2013, the Predecessor Company changed its segment measure of profit and loss to exclude amortization of prior service credits related to the U.S. Postretirement Benefit Plan. Prior to this change, Kodak excluded certain other components of pension and other postretirement benefit obligation (OPEB) costs from the segment measure of profitability. As a result of this change, the operating segment results now exclude the 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 benefit, curtailment and settlement components of pension and OPEB expense. The service cost component for all plans will continue to be reported as a part of operating segment results, as will the amortization of prior service cost component for all plans other than for the U.S. Postretirement Benefit Plan. Prior period segment results have been revised to reflect this change.

Upon application of fresh start accounting, the Successor Company eliminated prior service credits related to the U.S. Postretirement Benefit Plan. Therefore, the four-month period ended December 31, 2013 does not include any amortization of prior service credits related to the U.S. Postretirement Benefit Plan.

Table of Contents**DETAILED RESULTS OF OPERATIONS****Net Sales from Continuing Operations by Reportable Segment (1)**

| (in millions) | Successor Four Months Ended December 31, 2013 | Predecessor Eight Months Ended August 2013 | Predecessor Year Ended December 31, 2012 | Change vs. 2012 (Combined) | Foreign Currency Impact* | Predecessor Year Ended December 31, 2011 | Change vs. 2011 | Foreign Currency Impact* |
|---|--|---|--|-------------------------------------|--------------------------------|--|--------------------|--------------------------------|
| Graphics, Entertainment and Commercial Films | | | | | | | | |
| Inside the U.S. | \$ 115 | \$ 265 | \$ 384 | (1%) | 0% | \$ 607 | (37%) | 0% |
| Outside the U.S. | 404 | 722 | 1,296 | (13%) | (2%) | 1,734 | (25%) | (3%) |
| Total Graphics, Entertainment and Commercial Films | \$ 519 | \$ 987 | \$ 1,680 | (10%) | (1%) | \$ 2,341 | (28%) | (2%) |
| Digital Printing and Enterprise | | | | | | | | |
| Inside the U.S. | \$ 121 | \$ 239 | \$ 431 | (16%) | 0% | \$ 510 | (15%) | 0% |
| Outside the U.S. | 163 | 280 | 508 | (13%) | (2%) | 589 | (14%) | (3%) |
| Total Digital Printing and Enterprise | \$ 284 | \$ 519 | \$ 939 | (14%) | (1%) | \$ 1,099 | (15%) | (2%) |
| All Other | | | | | | | | |
| Inside the U.S. | \$ | \$ 11 | \$ 37 | (70%) | 0% | \$ 45 | (18%) | 0% |
| Outside the U.S. | 2 | 25 | 63 | (57%) | (2%) | 100 | (37%) | 5% |
| Total All Other | \$ 2 | \$ 36 | \$ 100 | (62%) | (1%) | \$ 145 | (31%) | 3% |
| Consolidated | | | | | | | | |
| Inside the U.S. | \$ 236 | \$ 515 | \$ 852 | (12%) | 0% | \$ 1,162 | (27%) | 0% |
| Outside the U.S. | 569 | 1,027 | 1,867 | (15%) | (2%) | 2,423 | (23%) | (3%) |
| Total Consolidated | \$ 805 | \$ 1,542 | \$ 2,719 | (14%) | (1%) | \$ 3,585 | (24%) | (2%) |

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

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

Table of Contents**Segment (Loss) Earnings and Consolidated (Loss) Earnings from Continuing Operations Before Income Taxes**

| (in millions) | Successor Four Months Ended December 31, 2013 | Predecessor Eight Months Ended August 31, 2013 | Predecessor Year Ended December 31, 2012 | Change vs. 2012 (Combined) | Predecessor Year Ended December 31, 2011 | Change vs. 2011 |
|---|--|---|---|---|---|----------------------------|
| Graphics, Entertainment and Commercial Films | \$ (37) | \$ 5 | \$ (210) | 85% | \$ (8) | 2,525% |
| Digital Printing and Enterprise | (59) | (37) | (280) | 66% | (613) | 54% |
| Total of reportable segments | (96) | (32) | (490) | 74% | (621) | 21% |
| All Other | (3) | | (3) | | 8 | |
| Restructuring costs and other | 17 | 49 | 232 | | 120 | |
| Corporate components of pension and OPEB income (expense) (1) | 67 | 43 | (2) | | 61 | |
| Other operating (expense) income, net | (2) | 495 | 86 | | 56 | |
| Legal contingencies, settlements and other | (3) | | 1 | | | |
| Loss on early extinguishment of debt, net | | 8 | 7 | | | |
| Interest expense | 22 | 106 | 139 | | 138 | |
| Other income (charges), net | 12 | (13) | 21 | | (3) | |
| Reorganization items, net | 16 | (2,026) | 843 | | | |
| Consolidated (loss) earnings from continuing operations before income taxes | \$ (74) | \$ 2,356 | \$ (1,610) | 242% | \$ (757) | 113% |

- (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 Earnings (loss) from discontinued operations, net of income taxes in the Consolidated Statement of Operations.

Table of Contents**RESULTS OF OPERATIONS CONTINUING OPERATIONS****CONSOLIDATED**

| (in millions) | Successor | | | Predecessor | | Predecessor | | | |
|---|--|---|--------------------------------|---------------------------------------|------------------|--|---------------------------------------|------------------|-------------------------|
| | Four Months Ended December 31, 2013 | Eight Months Ended August 31, 2013 | % of Sales (Combined) | Year Ended December 31, 2012 | % of Sales | % Change vs. 2012 (Combined) | Year Ended December 31, 2011 | % of Sales | % Change vs. 2011 |
| Net sales | \$ 805 | \$ 1,542 | | \$ 2,719 | | (14%) | \$ 3,585 | | (24%) |
| Cost of sales | 687 | 1,174 | | 2,426 | | | 3,095 | | |
| Gross profit | 118 | 368 | 21% | 293 | 11% | 66% | 490 | 14% | (40%) |
| Selling, general and administrative expenses | 114 | 297 | 18% | 637 | 23% | (35%) | 859 | 24% | (26%) |
| Research and development costs | 33 | 66 | 4% | 168 | 6% | (41%) | 195 | 5% | (14%) |
| Restructuring costs and other | 17 | 43 | 3% | 215 | 8% | (72%) | 108 | 3% | 99% |
| Other operating expense (income), net | 2 | (495) | 21% | (85) | 3% | 480% | (56) | 2% | 52% |
| (Loss) earnings from continuing operations before interest expense, loss on early extinguishment of debt, net, other income (charges), net, reorganization items, net and income taxes | (48) | 457 | 17% | (642) | (24%) | 164% | (616) | (17%) | (4%) |
| Interest expense | 22 | 106 | 5% | 139 | 5% | (8%) | 138 | 4% | 1% |
| Loss on early extinguishment of debt, net | | 8 | | 7 | | 14% | | | |
| Other income (charges), net | 12 | (13) | | 21 | 1% | (105%) | (3) | | 800% |
| Reorganization items, net | 16 | (2,026) | 86% | 843 | 31% | (338%) | | | |
| (Loss) earnings from continuing operations | (74) | 2,356 | 97% | (1,610) | (59%) | 242% | (757) | (21%) | (113%) |

| | | | | | | | | | |
|--|----------------|-----------------|------------|-------------------|--------------|-------------|-----------------|--------------|--------------|
| before income taxes | | | | | | | | | |
| Provision (benefit) for income taxes | 8 | 155 | 7% | (273) | (10%) | (160%) | (18) | (1%) | 1,417% |
| (Loss) earnings from continuing operations | (82) | 2,201 | 90% | (1,337) | (49%) | 258% | (739) | (21%) | (81%) |
| Earnings (loss) from discontinued operations, net of income taxes | 4 | (135) | (6%) | (42) | (2%) | 212% | (25) | (1%) | (68%) |
| NET (LOSS) EARNINGS | (78) | 2,066 | 85% | (1,379) | (51%) | 244% | (764) | (21%) | (80%) |
| Less: Net loss attributable to noncontrolling interests | 3 | | | | | | | | |
| NET (LOSS) EARNINGS ATTRIBUTABLE TO EASTMAN KODAK COMPANY | \$ (81) | \$ 2,066 | 85% | \$ (1,379) | (51%) | 244% | \$ (764) | (21%) | (80%) |

| (in millions) | Year Ended December 31, Change | | Percent Change vs. 2012 (Combined) | | | | Manufacturing and Other Costs |
|---------------------|--------------------------------------|------------------------------|------------------------------------|-----------|---------------------|-----|--|
| | 2013 (Combined) Amount | vs. 2012 (Predecessor) | Volume | Price/Mix | Foreign Exchange | | |
| | Net Sales | \$ 2,347 | -14% | -17% | 4% | -1% | |
| Gross profit margin | 21% | 10pp | n/a | 8pp | -1pp | 3pp | |

| (in millions) | Year Ended December 31, Change | | Percent Change vs. 2011 | | | | Manufacturing and Other Costs |
|---------------------|--------------------------------------|------------------------------|-------------------------|-----------|---------------------|-----|--|
| | 2012 (Predecessor) Amount | vs. 2011 (Predecessor) | Volume | Price/Mix | Foreign Exchange | | |
| | Net Sales | \$ 2,719 | -24% | -15% | -7% | -2% | |
| Gross profit margin | 11% | -3pp | n/a | -2pp | -1pp | 0pp | |

Table of Contents**Revenues****Current Year**

For the year ended December 31, 2013, net sales decreased approximately 14% compared with the same period in 2012 primarily due to volume declines in each segment, partially offset by favorable price/mix within *Intellectual Property and Brand Licensing* (+3%) and *Entertainment Imaging and Commercial Films* (+2%) in the Graphics, Entertainment & Commercial Films Segment. The impact of the application of fresh start accounting was not material. See segment discussions below for additional information.

Included in revenues were non-recurring intellectual property licensing agreements. Such agreements contributed approximately \$38 million to revenues in 2013. There were no significant non-recurring intellectual property licensing agreements in 2012. However, there was a \$61 million license revenue reduction reflecting sharing, with licensees, of the withholding tax refund received in 2012 (refer to Note 17, *Income Taxes* for additional information).

Prior Year

For the year ended December 31, 2012, net sales decreased approximately 24% compared with the same period in 2011 primarily due to volume declines across all segments. Also included in the total decline was the \$61 million license revenue reduction reflecting sharing, with licensees, of the withholding tax refund received in the first quarter of 2012 (refer to Note 17, *Income Taxes* for additional information). Non-recurring intellectual property licensing agreements contributed \$82 million to revenues in 2011. See segment discussion below for additional information.

Gross Profit**Current Year**

The increase in gross profit percent from 2012 to 2013 was due to favorable price/mix in the Graphics, Entertainment and Commercial Films Segment (+4pp) primarily from intellectual property licensing and the Digital Printing and Enterprise Segment (+3pp). Also contributing to the increase was a reduction in pension and other postretirement benefit costs in the current year (+3pp) and other cost improvements from each segment (+3pp) partially offset by increased manufacturing and other costs due to the revaluation of inventory from the application of fresh start accounting (-3pp). See segment discussions below for additional details.

Prior Year

The decrease in gross profit percent from 2011 to 2012 was driven by unfavorable price/mix within the Graphics, Entertainment & Commercial Films Segment (-7pp) primarily attributable to the \$61 million licensing revenue reduction as noted above. This was partially offset by favorable price/mix within the DP&E segment, due to the focus on liquidity within *Consumer Inkjet Systems* (+4pp). See segment discussions below for additional details.

Selling, General and Administrative Expenses

The decreases in consolidated selling, general and administrative expenses (SG&A) from 2012 to 2013 and 2011 to 2012 were the result of cost reduction actions. For 2012 to 2013 this included the change in strategy for *Consumer Inkjet Systems*.

Research and Development Costs

The decreases in consolidated research and development costs (R&D) from 2012 to 2013 and 2011 to 2012 were primarily attributable to cost reduction actions resulting from focusing development activities on core products and certain products reaching the commercialization stage.

Restructuring Costs and Other

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

Other Operating Expense (Income), Net

For details, refer to Note 15, Other Operating Expense (Income), Net.

Other Income (Charges), Net

For details, refer to Note 16, Other Income (Charges), Net.

Table of Contents**Reorganization Items, Net**

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

Income Tax Provision (Benefit)

| (in millions) | Successor | | Predecessor | Year Ended |
|--|--|---------------------------------------|---------------------------------|-------------------|
| | Four Months Ended December 31, 2013 | Eight Months Ended August 31, 2013 | Year Ended December 31, 2012 | December 31, 2011 |
| (Loss) earnings from continuing operations before income taxes | \$ (74) | \$ 2,356 | \$ (1,610) | \$ (757) |
| Provision (benefit) for income taxes | 8 | 155 | (273) | (18) |
| Effective tax rate | (11%) | 7% | 17% | 2% |
| (Benefit) provision) for income taxes @ 35% | (26) | 825 | (564) | (265) |
| Difference between tax @ effective vs statutory rate | 34 | (670) | 291 | 247 |

| (in millions) | Year Ended December 31, (Combined Amount) | | |
|--|--|------------|----------|
| | 2013 | 2012 | 2011 |
| Earnings (loss) from continuing operations before income taxes | \$ 2,282 | \$ (1,610) | \$ (757) |
| Provision (benefit) for income taxes | 163 | (273) | (18) |
| Effective tax rate | 7% | 17% | 2% |
| Provision (benefit) for income taxes @ 35% | 799 | (564) | (265) |
| Difference between tax @ effective vs statutory rate | (636) | 291 | 247 |

Current Year

The change in Kodak's effective tax rate from continuing operations for 2013 as compared to 2012 is primarily attributable to: (1) a decrease as a result of income generated in the U.S., for which no provision was recognized, partially offset by an increase as a result of 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, (2) a benefit as a result of Kodak reaching a settlement with a taxing authority in a location outside the U.S. in the twelve months ended December 31, 2012, (3) an increase as a result of the establishment of a deferred tax asset valuation allowance in certain jurisdictions outside the U.S., (4) a benefit associated with the tax impact of the impairment of goodwill and intangibles recognized in the twelve months ended December 31, 2013, (5) a decrease as a result of a legislative tax rate change in a jurisdiction outside the U.S., (6) a provision as a result of withholding taxes on foreign dividends in the twelve months ended December 31, 2013, (7) an increase as a result of tax accounting impacts related to items reported in Accumulated other comprehensive loss in the Consolidated Statement

of Financial Position, (8) a provision as a result of withholding taxes on the sale of intellectual property in the twelve months ended December 31, 2013, (9) a decrease associated with foreign withholding taxes on undistributed earnings, and (10) a benefit as a result of Kodak reaching a settlement with taxing authorities outside the U.S. in the twelve months ended December 31, 2012.

Prior Year

The change in Kodak's effective tax rate from continuing operations for 2012 as compared with 2011 is primarily attributable to: (1) 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 as of December 31, 2012, (2) a benefit as a result of Kodak reaching a settlement with a taxing authority in a location outside the U.S. during the year ended December 31, 2012, (3) a benefit as a result of the U.S Internal Revenue Service federal audit settlement for calendar years 2001 through 2005 during the year ended December 31, 2011, (4) a decrease as a result of foreign withholding taxes on undistributed earnings, (5) an increase as a result of Kodak reaching a settlement with taxing authorities outside the U.S., (6) an increase as a result of losses generated in the U.S. and certain jurisdictions outside the U.S. for which no benefit was recognized due to management's conclusion that it was more likely than not that the tax benefits would not be realized, (7) a decrease as a result of the establishment of a deferred tax asset valuation allowance in certain jurisdictions outside the U.S., and (8) a benefit as a result of the release of a deferred tax asset valuation allowance in a certain jurisdiction outside the U.S. during the year ended December 31, 2011.

Table of Contents

Discontinued Operations

Discontinued operations of Kodak include the Personalized and Document Imaging businesses, digital capture and devices business, Kodak Gallery, and other miscellaneous businesses. For details, refer to Note 26, Discontinued Operations for additional information.

PAGE 36

Table of Contents**GRAPHICS, ENTERTAINMENT AND COMMERCIAL FILMS**

| (in millions) | Successor | | | Predecessor | | Predecessor | | | |
|--|---------------------------------|--------------------------------|-----------------------|------------------------------|---------|------------------------------|------------------------------|---------|-------------------|
| | Four Months Ended December 2013 | Eight Months Ended August 2013 | % of Sales (Combined) | Year Ended December 31, 2012 | % Sales | % Change vs. 2012 (Combined) | Year Ended December 31, 2011 | % Sales | % Change vs. 2011 |
| Net sales | \$ 519 | \$ 987 | | \$ 1,680 | | (10%) | \$ 2,341 | | (28%) |
| Cost of sales | 472 | 805 | | 1,509 | | (15%) | 1,853 | | (19%) |
| Gross profit | 47 | 182 | 15% | 171 | 10% | 34% | 488 | 21% | (65%) |
| Selling, general and administrative expenses | 77 | 164 | 16% | 341 | 20% | (29%) | 439 | 19% | (22%) |
| Research and development costs | 7 | 13 | 1% | 40 | 2% | (50%) | 57 | 2% | (30%) |
| Segment (loss) earnings | \$ (37) | \$ 5 | (2%) | \$ (210) | (13%) | 85% | \$ (8) | | (2,525%) |

| (in millions) | Year Ended December 31, Change vs. 2013 (Combined) | | Percent Change vs. 2012 (Combined) | | | | Manufacturing and Other Costs |
|---------------------|--|------------------------|------------------------------------|-----------|------------------|-----|-------------------------------|
| | 2013 Amount | vs. 2012 (Predecessor) | Volume | Price/Mix | Foreign Exchange | | |
| Net Sales | \$ 1,506 | -10% | -16% | 7% | -1% | n/a | |
| Gross profit margin | 15% | 5pp | n/a | 6pp | -1pp | 0pp | |

| (in millions) | Year Ended December 31, Change vs. 2012 (Predecessor) | | Percent Change vs. 2011 | | | | Manufacturing and Other Costs |
|---------------------|---|------------------------|-------------------------|-----------|------------------|------|-------------------------------|
| | 2012 (Predecessor) | vs. 2011 (Predecessor) | Volume | Price/Mix | Foreign Exchange | | |
| Net Sales | \$ 1,680 | -28% | -18% | -8% | -2% | n/a | |
| Gross profit margin | 10% | -11pp | n/a | -10pp | 0pp | -1pp | |

Current Year

The decrease in the Graphics, Entertainment and Commercial Films Segment net sales of approximately 10% for the year ended December 31, 2013 was primarily due to volume declines within *Entertainment Imaging & Commercial Films* (-9%), largely attributable to reduced demand from movie studios, and within *Graphics* (-7%), largely attributable to lower demand for digital plates. Also contributing to the decline was unfavorable price/mix within *Graphics* (-2%) due to pricing pressures in the industry. Partially offsetting these declines was favorable price/mix within *Intellectual Property and Brand Licensing* (+6%) due to non-recurring intellectual property licensing agreements and within *Entertainment Imaging and Commercial Films* (+3%) due to pricing actions impacting the current year. The impact of the application of fresh start accounting was not material.

Included in revenues were non-recurring intellectual property licensing agreements. Such agreements contributed approximately \$38 million to revenues in 2013. There were no significant non-recurring intellectual property licensing agreements in 2012. However, there was a \$61 million licensing revenue reduction reflecting sharing, with licensees, of the withholding tax refund received in 2012 (refer to Note 17, *Income Taxes* for additional information).

Prior Year

The decrease in the Graphics, Entertainment and Commercial Films Segment net sales of approximately 28% for the year ended December 31, 2012 was primarily driven by volume declines within *Entertainment Imaging & Commercial Films* (-10%), largely attributable to reduced demand from movie studios, and within *Graphics* (-8%), largely attributable to lower demand. Also contributing to the revenue decline was lower revenue within *Intellectual Property and Brand Licensing* (-6%) due to the \$61 million license revenue reduction reflecting sharing, with licensees, of the withholding tax refund received in the first quarter of 2012 (refer to Note 17, *Income Taxes* for additional information).

Non-recurring intellectual property licensing agreements contributed \$82 million to revenues in 2011.

Table of Contents**Gross Profit****Current Year**

The increase in the Graphics, Entertainment and Commercial Films Segment gross profit percent for the year ended December 31, 2013 was primarily driven by favorable price/mix within *Intellectual Property and Brand Licensing* (+5pp). Also contributing to the improvement was favorable price/mix within *Entertainment Imaging & Commercial Films* (+2pp) driven by the impact of pricing actions as noted above, and manufacturing and other cost improvements within *Graphics* (+4pp) due to productivity improvement initiatives. Partially offsetting these improvements was unfavorable price/mix within *Graphics* (-2pp) due to pricing pressures in the industry, and increased manufacturing and others costs within *Entertainment Imaging & Commercial Films* (-2pp) driven by lower production volumes. Manufacturing and other costs were also negatively impacted by the revaluation of inventory from the application of fresh start accounting (-2pp).

Prior Year

The decrease in the Graphics, Entertainment and Commercial Films Segment gross profit percent for the year ended December 31, 2012 was due to unfavorable price/mix, primarily in *Intellectual Property and Brand Licensing* (-5pp) due to the \$61 million licensing revenue reduction as noted above, and in *Graphics* (-1pp) largely due to competitive pricing within the prepress solutions industry. Also contributing to the decline was increased costs within *Entertainment Imaging & Commercial Films* (-1pp) driven by lower production volumes.

Selling, General and Administrative Expenses

The decreases in SG&A from 2012 to 2013 and 2011 to 2012 were primarily the result of cost reduction actions.

Research and Development Costs

The decreases in R&D from 2012 to 2013 and 2011 to 2012 were primarily attributable to cost reduction actions resulting from focused development activities on core products.

DIGITAL PRINTING AND ENTERPRISE

| | Successor Four Months Ended December 31, 2013 | Predecessor Eight Months Ended August 31, 2013 (Combined) | % of Sales | Predecessor Year Ended December 31, 2012 | % of Sales | % Change vs. 2012 (Combined) | Predecessor Year Ended December 31, 2011 | % of Sales | % Change vs. 2011 |
|-------------------------------------|--|---|---------------|--|------------------|--|--|------------------|-------------------------|
| (in millions) | | | | | | | | | |
| Net sales | \$ 284 | \$ 519 | | \$ 939 | | (14%) | \$ 1,099 | | (15%) |
| Cost of sales | 243 | 373 | | 813 | | (24%) | 1,139 | | (29%) |
| Gross profit | 41 | 146 | 23% | 126 | 13% | 48% | (40) | (4%) | 415% |
| Selling, general and administrative | 67 | 128 | 24% | 274 | 29% | (29%) | 410 | 37% | (33%) |

expenses

| | | | | | | | | | |
|--------------------------------|----|----|-----|-----|-----|-------|-----|-----|-------|
| Research and development costs | 33 | 55 | 11% | 132 | 14% | (33%) | 163 | 15% | (19%) |
|--------------------------------|----|----|-----|-----|-----|-------|-----|-----|-------|

| | | | | | | | | | |
|--------------|---------|---------|-------|----------|-------|-----|----------|-------|-----|
| Segment loss | \$ (59) | \$ (37) | (12%) | \$ (280) | (30%) | 66% | \$ (613) | (56%) | 54% |
|--------------|---------|---------|-------|----------|-------|-----|----------|-------|-----|

Table of Contents

| (in millions) | Year Ended December 31, Change vs. | | Percent Change vs. 2012 (Combined) | | | |
|---------------------|---|-----------------------|------------------------------------|-----------|---------------------|--|
| | 2013 (Combined) Amount | 2012 (Predecessor) | Volume | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
| Net Sales | \$ 803 | -14% | -13% | | -1% | n/a |
| Gross profit margin | 23% | 10pp | n/a | 11pp | 0pp | -1pp |

| (in millions) | Year Ended December 31, Change vs. | | Percent Change vs. 2011 | | | |
|---------------------|---|-----------------------|-------------------------|-----------|---------------------|--|
| | 2012 (Predecessor) | 2011 (Predecessor) | Volume | Price/Mix | Foreign Exchange | Manufacturing and Other Costs |
| Net Sales | \$ 939 | -15% | -14% | 1% | -2% | n/a |
| Gross profit margin | 13% | 17pp | n/a | 14pp | -1pp | 4pp |

Revenues**Current Year**

The decrease in the Digital Printing and Enterprise Segment net sales of approximately 14% for the year ended December 31, 2013 was primarily attributable to volume declines within *Consumer Inkjet Systems*, driven by lower consumer printer sales, due to the discontinuance of printer production (-7%), and lower sales of ink to the existing installed base of printers (-6%). The impact of the application of fresh start accounting was not material.

Prior Year

The decrease in the Digital Printing and Enterprise Segment net sales of approximately 15% for the year ended December 31, 2012 was driven by volume declines within *Digital Printing* attributable to lower placements of commercial equipment (-6%), and within *Consumer Inkjet Systems* (-7%) driven by lower consumer printer sales. Partially offsetting these declines was favorable price/mix within *Consumer Inkjet Systems* (+3%) due to pricing actions in 2012.

Gross Profit**Current Year**

The increase in the Digital Printing and Enterprise Segment gross profit percent for year ended December 31, 2013 was primarily due to favorable price/mix within *Consumer Inkjet Systems* due to a greater proportion of consumer ink sales in the current year (+10pp). Increased manufacturing and other costs due to the revaluation of inventory from the application of fresh start accounting (-5pp) was largely offset by cost reductions within *Digital Printing* (+3pp) due to increase in scale and productivity improvement initiatives.

Prior Year

The increase in the Digital Printing and Enterprise Segment gross profit percent for the year ended December 31, 2012 was primarily due to favorable price/mix within *Consumer Inkjet Systems* (+14pp), due to a greater proportion of

consumer ink sales and pricing actions in 2012. Also contributing to the increase in gross profit percent were cost reductions within *Digital Printing* (+3pp), primarily driven by improved inventory management as Kodak continued to focus on liquidity.

Selling, General and Administrative Expenses

The decreases in SG&A from 2012 to 2013 and 2011 to 2012 were the result of cost reduction actions. For 2012 to 2013 this included the change in strategy for *Consumer Inkjet Systems*.

Research and Development Costs

The decreases in R&D from 2012 to 2013 and 2011 to 2012 were primarily attributable to cost reduction actions resulting from focusing development activities on core products and certain products reaching the commercialization stage.

Table of Contents

RESTRUCTURING COSTS AND OTHER

2013

Restructuring actions taken in 2013 were initiated to reduce Kodak's cost structure as part of its commitment to drive sustainable profitability. Actions included manufacturing capacity reductions in the U.S. and the U.K., the continued wind down of the consumer inkjet printer business, a workforce reduction in France, and various targeted reductions in service, sales, and other administrative functions.

As a result of these actions, for the four months ended December 31, 2013 Kodak recorded \$17 million of charges reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations. For the eight months ended August 31, 2013, Kodak recorded \$52 million of charges, including \$4 million for accelerated depreciation and \$2 million for inventory write-downs which were reported in Cost of sales, \$43 million reported as Restructuring costs and other and \$3 million which were reported as Discontinued operations 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.

The Company made cash payments related to restructuring of approximately \$18 million and \$80 million for the four months ended December 31, 2013 and the eight months ended August 31, 2013, respectively.

The charges of \$17 million recorded for the four months ended December 31, 2013 included \$1 million applicable to the Digital Printing and Enterprise Segment, \$8 million applicable to the Graphics, Entertainment and Commercial Films Segment, and \$8 million applicable to manufacturing, research and development, and administrative functions. The charges of \$52 million recorded for the eight months ended August 31, 2013 included \$5 million applicable to the Digital Printing and Enterprise Segment, \$22 million applicable to the Graphics, Entertainment and Commercial Films Segment, \$22 million applicable to manufacturing, research and development, and administrative functions and \$3 million applicable to discontinued operations.

The restructuring actions implemented in 2013 are expected to generate future annual cash savings of approximately \$69 million. These savings are expected to reduce future annual Cost of sales and SG&A by \$37 million and \$32 million, respectively. Kodak began realizing a portion of these savings in 2013, and expects the majority of the annual savings to be in effect by the second half of 2014 as actions are completed.

2012

For the year ended December 31, 2013, Kodak recorded \$271 million of charges during 2012, including \$13 million of charges for accelerated depreciation and \$4 million of charges for inventory write-downs, which were reported in Cost of sales in the accompanying Consolidated Statement of Operations for the year ended December 31, 2012, and \$39 million that was reported as discontinued operations. The remaining \$215 million of charges were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations for the year ended December 31, 2012.

2011

For the year ended December 31, 2011, Kodak incurred restructuring charges of \$133 million. The \$133 million of restructuring charges included \$10 million of costs related to accelerated depreciation and \$2 million of charges for inventory write-downs, which were reported in Cost of sales in the accompanying Consolidated Statement of Operations, and \$13 million which was reported as discontinued operations. The remaining charges of \$108 million

were reported as Restructuring costs and other in the accompanying Consolidated Statement of Operations for the year ended December 31, 2011.

PAGE 40

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES****2013**

| (in millions) | As of December 31, | |
|---------------------------|--------------------|---------------------|
| | Successor 2013 | Predecessor 2012 |
| Cash and cash equivalents | \$ 844 | \$ 1,135 |

Sources and uses of cash at emergence (including divestiture of the Personalized Imaging and Document Imaging businesses) follow:

| (in millions) | |
|---|-----------------|
| Sources: | |
| Net Proceeds from Emergence Credit Facilities | \$ 664 |
| Proceeds from divestiture | 325 |
| Proceeds from Rights Offerings | 406 |
| Total sources | \$ 1,395 |
| Uses: | |
| Repayment of Junior DIP Term Loan | \$ 844 |
| Repayment of Second Lien Notes | 375 |
| Claims paid at emergence | 94 |
| Funding of escrow accounts | 113 |
| Other fees & expenses | 16 |
| Total uses | \$ 1,442 |
| Net uses | \$ (47) |

Cash Flow Activity

| (in millions) | Successor | Predecessor | Predecessor | Computed Change vs 2012 (2013 Combined) |
|---|---|--|---------------------------------------|---|
| | Four Months Ended December 31, 2013 | Eight Months Ended August 31, 2013 | Year Ended December 31, 2012 | |
| <u>Cash flows from operating activities:</u> | | | | |
| Net cash used in operating activities | \$ (98) | \$ (565) | \$ (289) | \$ (374) |

Cash flows from investing activities:

| | | | | |
|---|----|-----|----|-----|
| Net cash provided by investing activities | 81 | 679 | 52 | 708 |
|---|----|-----|----|-----|

Cash flows from financing activities:

| | | | | |
|---|------|-------|-----|-------|
| Net cash (used in) provided by financing activities | (42) | (328) | 508 | (878) |
|---|------|-------|-----|-------|

Effect of exchange rate changes on cash

| | | | | |
|--|---|------|---|------|
| | 5 | (23) | 3 | (21) |
|--|---|------|---|------|

| | | | | |
|--|---------|----------|--------|----------|
| Net (decrease) increase in cash and cash equivalents | \$ (54) | \$ (237) | \$ 274 | \$ (565) |
|--|---------|----------|--------|----------|

Operating Activities

Net cash used in operating activities increased \$374 million for the year ended December 31, 2013 as compared with the prior year due to emergence related cash outflows and less cash being provided by working capital changes as compared to the prior year, partially offset by earnings improvement.

Investing Activities

Net cash provided by investing activities increased \$708 million for the year ended December 31, 2013 as compared with the prior year, primarily due to the increase in proceeds from sales of businesses/assets of \$746 million. The sale of the digital imaging patent portfolio contributed approximately \$530 million in the current year. The sale of the Personalized Imaging and Document Imaging businesses contributed \$290 million to investing activities in the current year. Partially offsetting these increases was the net funding of restricted cash and investment accounts of \$41 million.

Table of Contents

Financing Activities

Net cash used in financing activities increased \$878 million for the year ended December 31, 2013 as compared with the prior year due to the net pay-down of debt in the current year period of approximately \$810 million compared with borrowing under the Original Senior DIP Credit Agreement in the prior year. Partially offsetting the increased cash used in financing activities were the proceeds from the Rights Offering of \$406 million and \$35 million of contingent cash received related to the sale of the Personalized Imaging and Document Imaging businesses in the current year.

PAGE 42

Table of Contents***Sources of Liquidity***

Available liquidity includes cash balances and the unused portion of the ABL Credit Agreement. The ABL Credit Agreement had \$49 million of net availability as of December 31, 2013. The amount of available liquidity is subject to fluctuations and includes cash balances held by various entities worldwide. At December 31, 2013 and December 31, 2012, approximately \$307 million and \$324 million, respectively, of cash and cash equivalents were held within the U.S. and approximately \$537 million and \$811 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 \$254 million of cash and cash equivalents were held as of December 31, 2013, there are limitations related to net asset balances that impact the ability to make cash available to other jurisdictions in the world. Under the terms of the Company's Credit Agreements, the Company is permitted to invest up to \$100 million at any time in subsidiaries that are not party to the loan agreement.

As defined in each of the Company's Term Credit Agreements, the Company is required to prepay loans with net proceeds from asset sales, recovery events or issuance of indebtedness, subject to, in the case of net proceeds received from asset sales or recovery events, reinvestment rights by the Company in assets used or usable by the business within certain time limits. On an annual basis, starting with the fiscal year ending on December 31, 2014, the Company will prepay on June 30 of the following fiscal year loans in an amount equal to a percentage of Excess Cash Flow (ECF) as defined in each of the Term Credit Agreements, provided no such prepayment is required if such prepayment would cause U.S. liquidity (as defined in each of the Term Credit Agreements) to be less than \$100 million. Any mandatory prepayments as described above shall be reduced by any mandatory prepayments of the first lien loan.

The Company's Credit Agreements limit, among other things, the Company's and its subsidiary guarantors' ability to (i) incur indebtedness, (ii) incur or create liens, (iii) dispose of assets, (iv) make restricted payments and (v) make investments. Under the Company's Term Credit Agreements, the Company is required to maintain minimum U.S. Liquidity (as defined therein) through 2014 and starting December 31, 2014, tested on a quarterly basis, Net Secured Leverage (as defined therein) not to exceed specified levels. Under the ABL Credit Agreement, if Excess Availability (as defined therein) is less than 15% of commitments available, the Company would be required to maintain a minimum Fixed Charge Coverage Ratio (as defined therein). Kodak was in compliance with all covenants under the Company's Term Credit Agreements and the ABL Credit Agreement as of December 31, 2013.

During 2013 and 2012, Kodak made contributions (funded plans) or paid benefits (unfunded plans) of \$34 million and \$153 million, respectively, relating to its major defined benefit pension and other postretirement benefit plans. The decline in contributions in 2013 from 2012 is primarily due to the discontinuation of U.S. retiree medical, dental, life insurance, and survivor income benefits (other than COBRA continuation coverage or conversion rights as required by the applicable benefit plans or applicable law) in 2013. Kodak estimates contributions and benefit payments relating to its major defined benefit pension and other postretirement benefit plans in 2014 of \$26 million.

Cash flows from investing activities included \$21 million and \$18 million for capital expenditures for the four months ended December 31, 2013 and the eight months ended August 31, 2013, respectively. Kodak expects approximately \$50 million of cash flows for investing activities from capital expenditures for the year ended December 31, 2014. Additionally, Kodak intends to utilize a variety of methods to finance customer equipment purchases in the future, including expansion of 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. See Item 1A. Risk Factors for a discussion of

potential challenges to liquidity.

Refer to Note 11, Short-Term Borrowings and Long-Term Debt, in the Notes to Financial Statements for further discussion of long-term debt, related maturities and interest rates as of December 31, 2013 and December 31, 2012.

PAGE 43

Table of Contents**Contractual Obligations**

The impact that contractual obligations are expected to have on Kodak's cash flow in future periods is as follows:

| (in millions) | Total | As of December 31, 2013 | | | | | |
|-----------------------------|----------|-------------------------|-------|-------|-------|-------|--------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019+ |
| Long-term debt (1) | \$ 693 | \$ 4 | \$ 4 | \$ 4 | \$ 4 | \$ 4 | \$ 673 |
| Interest payments on debt | 401 | 65 | 64 | 64 | 64 | 64 | 80 |
| Operating lease obligations | 95 | 28 | 20 | 15 | 12 | 8 | 12 |
| Purchase obligations (2) | 81 | 61 | 11 | 3 | 2 | 2 | 2 |
| Total (3) (4) (5) | \$ 1,270 | \$ 158 | \$ 99 | \$ 86 | \$ 82 | \$ 78 | \$ 767 |

- (1) Represents the maturity values of Kodak's long-term debt obligations as of December 31, 2013. Annual amounts represent minimum mandatory principal payments. Starting in 2015 annual prepayments equal to a percentage of excess cash flow, as defined in each of the term credit agreements, may be required. Other prepayments may be required upon the occurrence of certain events. Refer to Note 11, Short-Term Borrowings and Long-Term Debt, in the Notes to Financial Statements.
- (2) Purchase obligations include agreements related to raw materials, supplies, production and administrative services, as well as marketing and advertising, that are enforceable and legally binding on Kodak and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty. The terms of these agreements cover the next one to five years.
- (3) Due to uncertainty regarding the completion of tax audits and possible outcomes, an estimate of the timing of payments related to uncertain tax positions and interest cannot be made. See Note 17, Income Taxes, in the Notes to Financial Statements for additional information regarding Kodak's uncertain tax positions.
- (4) Funding requirements for Kodak's major defined benefit retirement plans and other postretirement benefit plans have not been determined, therefore, they have not been included.
- (5) Because timing of their future cash outflows are uncertain, the other long-term liabilities presented in Note 10, Other Long-Term Liabilities, in the Notes to Financial Statements are excluded from this table.

Table of Contents***Off-Balance Sheet Arrangements***

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 December 31, 2013, the maximum potential amount of future payments (undiscounted) that Kodak could be required to make under these customer-related guarantees was \$14 million and the carrying amount of the 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 debtor. 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 \$79 million.

Kodak issues indemnifications in certain instances when it sells businesses and real estate, and in the ordinary course of business with its customers, suppliers, service providers and business partners. Further, the Company indemnifies its directors and officers who are, or were, serving at the Company's request in such capacities. Historically, costs incurred to settle claims related to these indemnifications have not been material to Kodak's financial position, results of operations or cash flows. Additionally, the fair value of the indemnifications that Kodak issued during the year ended December 31, 2013 was not material to Kodak's financial position, results of operations or cash flows.

2012***Cash Flow Activity***

| (in millions) | As of December 31, | | Change |
|---|---|---|--------|
| | Predecessor 2012 | Predecessor 2011 | |
| Cash and cash equivalents | \$ 1,135 | \$ 861 | |
| | Predecessor Year Ended December 31, 2012 | Predecessor Year Ended December 31, 2011 | |
| (in millions) | | | |
| <u>Cash flows from operating activities:</u> | | | |
| Net cash used in operating activities | \$ (289) | \$ (1,025) | \$ 736 |
| <u>Cash flows from investing activities:</u> | | | |

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| | | | |
|--|--------|----------|----------|
| Net cash provided by investing activities | 52 | 2 | 50 |
| <u>Cash flows from financing activities:</u> | | | |
| Net cash provided by financing activities | 508 | 246 | 262 |
| Effect of exchange rate changes on cash | 3 | 14 | (11) |
| Net increase (decrease) in cash and cash equivalents | \$ 274 | \$ (763) | \$ 1,037 |

PAGE 45

Table of Contents

Operating Activities

Net cash used in operating activities decreased \$736 million for the year ended December 31, 2012 as compared with the prior year, primarily due to non-payment of pre-petition liabilities. Partially offsetting this improvement was the incremental payment of reorganization and restructuring costs of approximately \$195 million in the current year.

Investing Activities

Net cash provided by investing activities increased \$50 million for the year ended December 31, 2012 as compared with the prior year, due to decreases in 2012 capital expenditures of \$59 million, as well as cash used for a business acquisition in 2011 of \$27 million and the funding of a restricted cash account of \$22 million in 2011. Partially offsetting these cash improvements was a decrease in proceeds from the sales of businesses/assets of \$63 million.

Financing Activities

Net cash provided by financing activities increased \$262 million for the year ended December 31, 2012 as compared with the prior year, due to the net borrowing increase of \$256 million in the current year, driven by the first quarter net borrowing increase, and the proceeds from the sale and leaseback of a property in Mexico in the first quarter for approximately \$41 million. Partially offsetting these increases was an increase in reorganization items of \$41 million.

Other

Refer to Note 12, *Commitments and Contingencies* in the Notes to Financial Statements for discussion regarding Kodak's undiscounted liabilities for environmental remediation costs, and other commitments and contingencies including legal matters.

Table of Contents

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

This report on Form 10-K, 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 this report on Form 10-K 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 filings made by the Company with the U.S. Bankruptcy Court for the Southern District of New York and in other filings the Company makes with the SEC from time to time, as well as the following: the Company's ability to 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; the potential adverse effects of the concluded 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-K 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.

SUMMARY OF OPERATING DATA

A summary of operating data for 2013 and for the four years prior is shown on page 22.

ITEM 7A. 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. Silver forward contracts are used to mitigate Kodak's risk to fluctuating silver prices. 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 December 31, 2013 and 2012, the fair value of open forward contracts would have decreased \$13 million and \$21 million, respectively. Such changes in fair value would be substantially offset by the revaluation or settlement of the underlying positions hedged.

There were no open silver forward contracts as of December 31, 2013 or as of December 31, 2012. Kodak is exposed to interest rate risk primarily through its borrowing activities. Kodak may utilize borrowings to fund its working capital and investment needs. The majority of short-term and long-term borrowings are in variable-rate instruments. There is inherent roll-over risk for borrowings and marketable securities as they mature and are renewed at current market rates. The extent of this risk is not predictable because of the variability of future interest rates and business financing requirements.

Table of Contents

Kodak's borrowings are in variable-rate instruments with an interest rate floor. See Note 11, Short-term borrowings and long-term debt in the Notes to Financial Statements. At December 31, 2013, the one-month LIBOR rate was approximately 0.17%. If LIBOR rates were to rise above the 1% and 1.25% floors for the Term Credit Agreements, interest expense would increase approximately \$7 million for each 1% of LIBOR above the floor (\$693 million debt times 1%). Using a sensitivity analysis based on estimated fair value of short-term and long-term borrowings, if available market interest rates had been 10% (about 187 basis points) lower at December 31, 2012, the fair value of short-term and long-term borrowings would have increased \$1 million and \$37 million, respectively.

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 December 31, 2013 was not significant to Kodak.

PAGE 48

Table of Contents**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Eastman Kodak Company:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Eastman Kodak Company and its subsidiaries (Successor Company) at December 31, 2013 and the results of their operations and their cash flows for the period from September 1, 2013 to December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) for the period from September 1, 2013 through December 31, 2013 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the United States Bankruptcy Court for the Southern District of New York confirmed the Company's revised First Amended Joint Chapter 11 Plan of Reorganization of Eastman Kodak Company and its Debtor Affiliates (as revised, the Plan) on August 23, 2013. Confirmation of the plan resulted in the discharge of certain claims against the Company that arose before January 19, 2012 and substantially alters rights and interests of equity security holders as provided for in the plan. The plan was substantially consummated on September 3, 2013 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting as of September 1, 2013.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have

a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Rochester, New York

March 19, 2014

PAGE 49

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Eastman Kodak Company:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Eastman Kodak Company and its subsidiaries (Predecessor Company) at December 31, 2012 and the results of their operations and their cash flows for the period from January 1, 2013 to August 31, 2013, and for each of the two years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) for each of the two years in the period ended December 31, 2012 and the period from January 1, 2013 through August 31, 2013 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company filed a petition on January 19, 2012 with the United States Bankruptcy Court for the Southern District of New York for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company's revised First Amended Joint Chapter 11 Plan of Reorganization of Eastman Kodak Company and its Debtor Affiliates (as revised, the Plan) was substantially consummated on September 3, 2013 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting.

/s/ PricewaterhouseCoopers LLP

Rochester, New York

March 19, 2014

Table of Contents**EASTMAN KODAK COMPANY****CONSOLIDATED STATEMENT OF OPERATIONS**

(in millions, except per share data)

| | Successor | | Predecessor | |
|--|--------------------------|---------------------------|---------------------|---------------------|
| | Four Months Ended | Eight Months Ended | Year Ended | Year Ended |
| | December 31, | August 31, | December 31, | December 31, |
| | 2013 | 2013 | 2012 | 2011 |
| Net Sales | | | | |
| Products | \$ 664 | \$ 1,227 | \$ 2,313 | \$ 2,959 |
| Services | 133 | 279 | 454 | 500 |
| Licensing & royalties | 8 | 36 | (48) | 126 |
| Total net sales | \$ 805 | \$ 1,542 | \$ 2,719 | \$ 3,585 |
| Cost of sales | | | | |
| Products | \$ 581 | \$ 955 | \$ 2,039 | \$ 2,668 |
| Services | 106 | 219 | 387 | 427 |
| Total cost of sales | \$ 687 | \$ 1,174 | \$ 2,426 | \$ 3,095 |
| Gross profit | \$ 118 | \$ 368 | \$ 293 | \$ 490 |
| Selling, general and administrative expenses | 114 | 297 | 637 | 859 |
| Research and development costs | 33 | 66 | 168 | 195 |
| Restructuring costs and other | 17 | 43 | 215 | 108 |
| Other operating expense (income), net | 2 | (495) | (85) | (56) |
| (Loss) earnings from continuing operations before interest expense, loss on early extinguishment of debt, net, other income (charges), net, reorganization items, net and income taxes | (48) | 457 | (642) | (616) |
| Interest expense | 22 | 106 | 139 | 138 |
| Loss on early extinguishment of debt, net | | 8 | 7 | |
| Other income (charges), net | 12 | (13) | 21 | (3) |
| Reorganization items, net | 16 | (2,026) | 843 | |
| (Loss) earnings from continuing operations before income taxes | (74) | 2,356 | (1,610) | (757) |
| Provision (benefit) for income taxes | 8 | 155 | (273) | (18) |
| (Loss) earnings from continuing operations | (82) | 2,201 | (1,337) | (739) |

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| | | | | |
|--|-----------|----------|------------|-----------|
| Earnings (loss) from discontinued operations, net of income taxes | 4 | (135) | (42) | (25) |
| NET (LOSS) EARNINGS | (78) | 2,066 | (1,379) | (764) |
| Less: Net income attributable to noncontrolling interests | 3 | | | |
| NET (LOSS) EARNINGS ATTRIBUTABLE TO EASTMAN KODAK COMPANY | \$ (81) | \$ 2,066 | \$ (1,379) | \$ (764) |
| Basic and diluted (loss) earnings per share attributable to Eastman Kodak Company common shareholders: | | | | |
| Continuing operations | \$ (2.04) | \$ 8.08 | \$ (4.92) | \$ (2.75) |
| Discontinued operations | 0.10 | (0.50) | (0.15) | (0.09) |
| Total | \$ (1.94) | \$ 7.58 | \$ (5.07) | \$ (2.84) |
| Number of common shares used in basic and diluted (loss) earnings per share | 41.7 | 272.7 | 271.8 | 269.1 |

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

Table of Contents**EASTMAN KODAK COMPANY****CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME**

(in millions)

| | Successor Four Months Ended December 31, 2013 | Eight Months Ended August 31, 2013 | Predecessor Year Ended December 31, 2012 | Year Ended December 31, 2011 |
|--|--|---|---|---|
| NET (LOSS) EARNINGS | \$ (78) | \$ 2,066 | \$ (1,379) | \$ (764) |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gains on available-for-sale securities net of tax of \$0 for all periods presented | | | | 1 |
| Realized and unrealized gains (losses) from hedging activity, net of tax of \$0 for the four months ended December 31, 2013, the eight months ended August 31, 2013 and the year ended December 31, 2011 and \$2 for the year ended December 31, 2012 | | | (1) | 5 |
| Reclassification adjustment for hedging related gains (losses) included in net earnings, net of tax of \$0 for the four months ended December 31, 2013, the eight months ended August 31, 2013 and the year ended December 31, 2011 and \$2 for the year ended December 31, 2012 | | | 5 | (14) |
| Currency translation adjustments | 1 | 4 | (14) | 18 |
| Pension and other postretirement benefit plan obligation activity, net of tax of \$3, \$462, \$146 and \$71 for the four months ended December 31, 2013, the eight months ended August 31, 2013 and the years ended December 31, 2012 and December 31, 2011, respectively. | 98 | 1,604 | 60 | (541) |
| Total comprehensive income (loss), net of tax | 21 | 3,674 | (1,329) | (1,295) |
| Less: comprehensive income attributable to noncontrolling interest | (3) | | | |
| | \$ 24 | \$ 3,674 | \$ (1,329) | \$ (1,295) |

COMPREHENSIVE INCOME (LOSS),
NET OF TAX ATTRIBUTABLE TO
EASTMAN KODAK COMPANY

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

PAGE 52

Table of Contents**EASTMAN KODAK COMPANY****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(in millions)

| | Successor December 31, 2013 | Predecessor December 31, 2012 |
|--|--|--|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 844 | \$ 1,135 |
| Receivables, net | 571 | 611 |
| Inventories, net | 358 | 420 |
| Deferred income taxes | 48 | 75 |
| Assets held for sale | 95 | 578 |
| Other current assets | 55 | 24 |
| Total current assets | 1,971 | 2,843 |
| Property, plant and equipment, net of accumulated depreciation of \$67 and \$3,754, respectively | 684 | 607 |
| Goodwill | 88 | 132 |
| Intangible assets, net | 219 | 61 |
| Restricted cash | 79 | 56 |
| Deferred income taxes | 54 | 470 |
| Other long-term assets | 105 | 152 |
| TOTAL ASSETS | \$ 3,200 | \$ 4,321 |
| LIABILITIES AND EQUITY (DEFICIT) | | |
| Current Liabilities | | |
| Accounts payable, trade | \$ 281 | \$ 355 |
| Short-term borrowings and current portion of long-term debt | 4 | 699 |
| Other current liabilities | 562 | 814 |
| Liabilities held for sale | 38 | 1,781 |
| Total current liabilities | 885 | 3,649 |
| Long-term debt, net of current portion | 674 | 740 |
| Pension and other postretirement liabilities | 572 | 506 |
| Other long-term liabilities | 421 | 395 |
| Liabilities subject to compromise | | 2,708 |
| Total liabilities | 2,552 | 7,998 |
| Commitments and contingencies (Note 12) | | |
| Equity (Deficit) | | |
| Predecessor common stock, \$2.50 par value | | 978 |

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| | | |
|--|-----------------|-----------------|
| Successor common stock, \$0.01 par value | | |
| Additional paid in capital | 613 | 1,105 |
| (Accumulated deficit) retained earnings | (81) | 2,600 |
| Accumulated other comprehensive income (loss) | 99 | (2,616) |
| | 631 | 2,067 |
| Less: Treasury stock, at cost | (3) | (5,746) |
| Total Eastman Kodak Company shareholders' equity (deficit) | 628 | (3,679) |
| Noncontrolling interests | 20 | 2 |
| Total equity (deficit) | 648 | (3,677) |
| TOTAL LIABILITIES AND EQUITY (DEFICIT) | \$ 3,200 | \$ 4,321 |

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

PAGE 53

Table of Contents**EASTMAN KODAK COMPANY****CONSOLIDATED STATEMENT OF EQUITY (DEFICIT) (in millions, except share data)**

| | Eastman Kodak Company Shareholders | | | | | | | |
|---|------------------------------------|----------|---------------|------------|------------|------------|----------------|------------|
| | Accumulated | | | | | | | |
| | Retained | | Other | | Treasury | | Noncontrolling | |
| | Additional Earnings | | Comprehensive | | Stock | | Interests | |
| | Common | Paid in | (Accumulated | Income | (Loss) | Stock | Total | Total |
| | Stock | Capital | Deficit) | (Loss) | (Loss) | Stock | Total | Total |
| Equity (deficit) as of December 31, 2010 (Predecessor) | \$ 978 | \$ 1,105 | \$ 4,969 | \$ (2,135) | \$ (5,994) | \$ (1,077) | \$ 2 | \$ (1,075) |
| Net Loss | | | (764) | | | (764) | | (764) |
| Other comprehensive loss: | | | | | | | | |
| Unrealized gains arising from hedging activity (\$5 million pre-tax) | | | | 5 | | 5 | | 5 |
| Unrealized gains on available-for-sale securities (\$1 million pre-tax) | | | | 1 | | 1 | | 1 |
| Reclassification adjustment for hedging related gains included in net earnings (\$14 million pre-tax) | | | | (14) | | (14) | | (14) |
| Currency translation adjustments | | | | 18 | | 18 | | 18 |
| Pension and other postretirement liability adjustments (\$612 million pre-tax) | | | | (541) | | (541) | | (541) |
| Total other comprehensive loss | | | | (531) | | (531) | | (531) |
| Stock-based compensation | | 20 | | | | | 20 | 20 |
| Issuance of treasury stock, net (2,326,209 shares) (1) | | (16) | (127) | | 143 | | | |
| Unvested stock issuances (154,696 shares) | | (1) | (7) | | 8 | | | |
| Equity (deficit) as of December 31, 2011 (Predecessor) | \$ 978 | \$ 1,108 | \$ 4,071 | \$ (2,666) | \$ (5,843) | \$ (2,352) | \$ 2 | \$ (2,350) |

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

PAGE 54

Table of Contents**EASTMAN KODAK COMPANY****CONSOLIDATED STATEMENT OF EQUITY (DEFICIT) (Continued)**

(in millions, except share data)

| | Eastman Kodak Company Shareholders | | | | | | | |
|--|------------------------------------|----------|--------------|------------|------------|----------------|-------|------------|
| | Accumulated | | | | | | | |
| | Retained | | Other | | Treasury | Noncontrolling | | |
| | Common | Paid in | (Accumulated | Income | | Stock | Total | Interests |
| | Stock | Capital | Deficit) | (Loss) | | | | |
| Equity (deficit) as of December 31, 2011 (Predecessor) | \$ 978 | \$ 1,108 | \$ 4,071 | \$ (2,666) | \$ (5,843) | \$ (2,352) | \$ 2 | \$ (2,350) |
| Net income | | | (1,379) | | | (1,379) | | (1,379) |
| Other comprehensive income: | | | | | | | | |
| Unrealized loss arising from hedging activity (\$2 million pre-tax) | | | | (1) | | (1) | | (1) |
| Reclassification adjustment for hedging related losses included in net earnings (\$0 million pre-tax) | | | | 5 | | 5 | | 5 |
| Currency translation adjustments | | | | (14) | | (14) | | (14) |
| Pension and other postretirement liability adjustments (\$206 million pre-tax) | | | | 60 | | 60 | | 60 |
| Total other comprehensive income | | | | 50 | | 50 | | 50 |
| Stock-based compensation | | 2 | | | | 2 | | 2 |
| Issuance of treasury stock, net (994,037 shares) (1) | | (5) | (92) | | 97 | | | |
| Equity (deficit) as of December 31, 2012 (Predecessor) | \$ 978 | \$ 1,105 | \$ 2,600 | \$ (2,616) | \$ (5,746) | \$ (3,679) | \$ 2 | \$ (3,677) |

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| | | | | | | | | |
|--|-------|---------|---------|---------|---------|-------|-------|-------|
| Net income | | | 2,066 | | | 2,066 | | 2,066 |
| Other comprehensive income: | | | | | | | | |
| Currency translation adjustments | | | 4 | | | 4 | | 4 |
| Pension and other postretirement liability adjustments (\$2,066 pre-tax) | | | 1,604 | | | 1,604 | | 1,604 |
| Total other comprehensive income | | | 1,608 | | | 1,608 | | 1,608 |
| Stock-based compensation | | | 3 | | | 3 | | 3 |
| Issuance of treasury stock, net (446,501 shares) (1) | | | (3) | (32) | 35 | | | |
| Equity as of August 31, 2013 (Predecessor) | 978 | 1,105 | 4,634 | (1,008) | (5,711) | (2) | 2 | |
| Investment in variable interest entity | | | | | | | 8 | 8 |
| Cancellation of Predecessor Company equity | (978) | (1,105) | (4,634) | 1,008 | 5,711 | 2 | 2 | |
| Equity as of August 31, 2013 (Predecessor) | \$ | \$ | \$ | \$ | \$ | \$ | \$ 10 | \$ 10 |

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

Table of Contents

EASTMAN KODAK COMPANY

CONSOLIDATED STATEMENT OF EQUITY (DEFICIT) (Continued)

(in millions, except share data)

| | Eastman Kodak Company Shareholders | | | | | | | |
|---|------------------------------------|-----------------|-------------------------------|--------|-----------------------------------|--------|--------------------------|--------|
| | Common Stock | | Accumulated Retained Earnings | | Other Comprehensive Income (Loss) | | Noncontrolling Interests | |
| | (2) | Paid in Capital | (Accumulated Deficit) | (Loss) | Treasury Stock | Total | Interests | Total |
| Equity as of August 31, 2013 (Predecessor) | \$ | \$ | \$ | \$ | \$ | \$ | \$ 10 | \$ 10 |
| Issuance of Successor Company common stock | \$ | \$ 613 | \$ | \$ | \$ | \$ 613 | \$ | \$ 613 |
| Equity as of September 1, 2013 (Successor) | | 613 | | | | 613 | 10 | 623 |
| Equity transactions with noncontrolling interest | | | | | | | 7 | 7 |
| Net (loss) income | | | (81) | | | (81) | 3 | (78) |
| Other comprehensive income: | | | | | | | | |
| Currency translation adjustments | | | | | 1 | 1 | | 1 |
| Pension and other postretirement liability adjustments (\$101 pre-tax) | | | | | 98 | 98 | | 98 |
| Recognition of equity-based compensation expense | | 1 | | | | 1 | | 1 |
| Purchases of treasury stock, net (152,746 shares) (3) | | (1) | | | (3) | (4) | | (4) |
| Equity as of December 31, 2013 (Successor) | \$ | \$ 613 | \$ (81) | \$ 99 | \$ (3) | \$ 628 | \$ 20 | \$ 648 |

(1) Includes stock awards issued, offset by shares surrendered for taxes.

(2) There are 60 million shares of no par value preferred stock authorized, none of which have been issued.

(3) Represents purchases of common stock and warrants to satisfy tax withholding obligations in connection with the issuance of stock and warrants to employees under the Plan.

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

PAGE 56

Table of Contents**EASTMAN KODAK COMPANY****CONSOLIDATED STATEMENT OF CASH FLOWS**

(in millions)

| | Successor Four Months Ended December 2013 | Eight Months Ended August 31, 2013 | Predecessor Year Ended December 31, 2012 | Year Ended December 31, 2011 |
|--|--|---|---|---|
| Cash flows from operating activities: | | | | |
| Net (loss) earnings | \$ (81) | \$ 2,066 | \$ (1,379) | \$ (764) |
| Adjustments to reconcile to net cash used in operating activities: | | | | |
| Depreciation and amortization | 75 | 118 | 245 | 294 |
| Net gains on sales of businesses/assets | (6) | (407) | (42) | (80) |
| Loss on early extinguishment of debt | | 8 | 7 | |
| Non-cash restructuring costs, asset impairments and other charges | 9 | 81 | 34 | 17 |
| Reorganization items: | | | | |
| Non-cash reorganization gain | | (1,964) | | |
| Payment of claims | | (94) | | |
| Fresh start adjustments, net | | (302) | | |
| Other non-cash reorganization items, net | 3 | 119 | 717 | |
| (Benefit) provision for deferred income taxes | (2) | 448 | (20) | 14 |
| (Increase) decrease in receivables | (72) | 105 | 319 | 102 |
| Decrease (increase) in inventories | 147 | (27) | 60 | 128 |
| Decrease in liabilities excluding borrowings | (166) | (450) | (808) | (903) |
| Other items, net | (5) | (266) | 578 | 167 |
| Total adjustments | (17) | (2,631) | 1,090 | (261) |
| Net cash used in operating activities | (98) | (565) | (289) | (1,025) |
| Cash flows from investing activities: | | | | |
| Additions to properties | (21) | (18) | (42) | (101) |
| Proceeds from sales of businesses/assets | 9 | 827 | 90 | 153 |
| Use (funding) of restricted cash | 93 | (134) | | (22) |
| Business acquisitions, net of cash acquired | | | | (27) |
| Marketable securities sales | | 21 | 95 | 83 |
| Marketable securities purchases | | (17) | (91) | (84) |
| Net cash provided by investing activities | 81 | 679 | 52 | 2 |

| | | | | |
|--|--------|--------|----------|--------|
| Cash flows from financing activities: | | | | |
| Proceeds from Emergence credit facilities | | 664 | | |
| Proceeds from Senior and Junior DIP Credit Agreements | | 450 | 686 | |
| Proceeds from other borrowings | | | | 412 |
| Repayment of term loans under Original Senior DIP Credit Agreement | | (664) | (36) | |
| Repayment of term loans under Junior DIP Credit Agreement | | (844) | | |
| Repayment of emergence credit facilities | (2) | | | |
| Repayment of other borrowings | (40) | (375) | (142) | (160) |
| Proceeds from Rights Offerings | | 406 | | |
| Contingent consideration received with sale of business | | 35 | | |
| Reorganization items | | | (41) | |
| Debt issuance costs | | | | (6) |
| Proceeds from sale and leaseback transaction | | | 41 | |
| Net cash (used in) provided by financing activities | (42) | (328) | 508 | 246 |
| Effect of exchange rate changes on cash | 5 | (23) | 3 | 14 |
| Net (decrease) increase in cash and cash equivalents | (54) | (237) | 274 | (763) |
| Cash and cash equivalents, beginning of period | 898 | 1,135 | 861 | 1,624 |
| Cash and cash equivalents, end of period | \$ 844 | \$ 898 | \$ 1,135 | \$ 861 |

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

Table of Contents

EASTMAN KODAK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

SUPPLEMENTAL CASH FLOW INFORMATION

| | Successor | | Predecessor | |
|---|--------------|--------------|--------------|--------------|
| | Four | Eight Months | Year | Year |
| | Months | Ended | Ended | Ended |
| | Ended | December 31, | December 31, | December 31, |
| | December 31, | August 31, | December 31, | December 31, |
| (in millions) | 2013 | 2013 | 2012 | 2011 |
| Cash paid for interest and income taxes was: | | | | |
| Interest, net of portion capitalized of \$0 as of December 31, 2013 and August 31, 2013, and \$1 as of December 31, 2012 and 2011 | \$ 22 | \$ 179 | \$ 63 | \$ 126 |
| Income taxes (net of refunds) | 18 | 34 | (13) | 67 |
| The following non-cash items are not reflected in the Consolidated Statement of Cash Flows: | | | | |
| Pension and other postretirement benefits liability adjustments | \$ (98) | \$ (1,329) | \$ 355 | \$ 622 |
| Liabilities assumed in acquisitions | | | | 9 |

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

Table of Contents

EASTMAN KODAK COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

On January 19, 2012 (the *Petition Date*), Eastman Kodak Company (*EKC* or 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 adopted fresh-start accounting which resulted in Kodak's becoming a new entity for financial reporting purposes. Kodak applied fresh start accounting as of September 1, 2013. As a result of the application of fresh start accounting and the effects of the implementation of the plan of reorganization, the financial statements on or after September 1, 2013 are not comparable with the financial statements prior to that date. Refer to Note 3, *Fresh Start Accounting* for additional information.

Subsequent to the *Petition Date*, all expenses, gains and losses directly associated with the reorganization proceedings are reported as Reorganization items, net in the accompanying Consolidated Statement of Operations. In addition, Liabilities subject to compromise during the chapter 11 proceedings were distinguished from liabilities of the Company's foreign subsidiaries that were not part of the Chapter 11 Cases, fully-secured liabilities that were not expected to be compromised and from post-petition liabilities in the accompanying Consolidated Statement of Financial Position.

The accompanying consolidated financial statements have been prepared assuming that Kodak will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. During the chapter 11 proceedings, Kodak's ability to continue as a going concern was contingent upon its ability to comply with the financial and other covenants contained in its debtor-in-possession credit agreements, the Bankruptcy Court's approval of the Debtors' plan of reorganization and Kodak's ability to successfully implement the plan of reorganization, among other factors. As a result of the execution of the plan of reorganization there is no longer substantial doubt about Kodak's ability to continue as a going concern.

References to *Successor* or *Successor Company* relate to Kodak on and subsequent to September 1, 2013. References to *Predecessor* or *Predecessor Company* refer to Kodak prior to September 1, 2013.

Certain amounts for prior periods have been reclassified to conform to the current period classification due to the presentation of discontinued operations, assets held for sale, to reflect workers compensation obligations gross of recoveries, and for a change in the segment measure of profitability. Refer to Note 25, *Segment Information* and Note 26, *Discontinued Operations* for additional information.

ACCOUNTING PRINCIPLES

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The following is a description of the significant accounting policies of Kodak.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of EKC and all companies directly or indirectly controlled by EKC, either through majority ownership or otherwise (collectively Kodak). Kodak consolidates variable interest entities if Kodak has a controlling financial interest and is determined to be the primary beneficiary of the entity. Kodak accounts for investments in companies over which it has the ability to exercise significant influence, but does not hold a controlling interest, under the equity method of accounting, and records its proportionate share of income or losses in Other income (charges), net in the accompanying Consolidated Statements of Operations. Kodak accounts for investments in companies over which it does not have the ability to exercise significant influence under the cost method of accounting. These investments are carried at cost and are adjusted only for other-than-temporary declines in fair value. Kodak has eliminated all significant intercompany accounts and transactions, and net earnings are reduced by the portion of the net earnings of subsidiaries applicable to non-controlling interests.

Table of Contents

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 \$85 million and \$3 million, respectively, as of December 31, 2013. RED 's equity in those net assets as of December 31, 2013 is \$18 million. 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.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at year end, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

FOREIGN CURRENCY

For most subsidiaries and branches outside the U.S., the local currency is the functional currency. The financial statements of these subsidiaries and branches are translated into U.S. dollars as follows: assets and liabilities at year-end exchange rates; income, expenses and cash flows at average exchange rates; and shareholders ' equity at historical exchange rates. For those subsidiaries for which the local currency is the functional currency, the resulting translation adjustment is recorded as a component of Accumulated other comprehensive (loss) income in the accompanying Consolidated Statement of Financial Position. Translation adjustments related to investments that are permanent in nature are not tax-effected.

For certain other subsidiaries and branches outside the U.S., operations are conducted primarily in U.S. dollars, which is therefore the functional currency. Monetary assets and liabilities of these foreign subsidiaries and branches, which are recorded in local currency, are remeasured at year-end exchange rates, while the related revenue, expense, and gain and loss accounts, which are recorded in local currency, are remeasured at average exchange rates. Non-monetary assets and liabilities, and the related revenue, expense, and gain and loss accounts, are remeasured at historical rates. Adjustments that result from the remeasurement of the assets and liabilities of these subsidiaries are included in Net (loss) earnings in the accompanying Consolidated Statement of Operations.

The effects of foreign currency transactions, including related hedging activities, are included in Other income (charges), net, in the accompanying Consolidated Statement of Operations.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject Kodak to significant concentrations of credit risk consist principally of cash and cash equivalents, receivables, and derivative instruments. Kodak places its cash and cash equivalents with high-quality financial institutions and limits the amount of credit exposure to any one institution. With respect to receivables, such receivables arise from sales to numerous customers in a variety of industries, markets, and geographies around the world. Receivables arising from these sales are generally not collateralized. Kodak performs ongoing credit evaluations of its customers ' financial conditions, and maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management 's expectations. Counterparties to the derivative instrument contracts are major financial institutions. Kodak has not experienced non-performance by any of its derivative instruments counterparties.

DERIVATIVE FINANCIAL INSTRUMENTS

All derivative instruments are recognized as either assets or liabilities and are measured at fair value. Kodak does not use derivatives for trading or other speculative purposes. See Note 14, Financial Instruments.

CASH EQUIVALENTS

All highly liquid investments with a remaining maturity of three months or less at date of purchase are considered to be cash equivalents.

INVENTORIES

Inventories are stated at the lower of cost or market with the exception of inventory that was on hand as of the application of fresh start accounting. The cost of all of Kodak's inventories is determined by either the first in, first out (FIFO) or average cost method, which approximates current cost. Kodak provides inventory reserves for excess, obsolete or slow-moving inventory based on changes in customer demand, technology developments or other economic factors. In connection with fresh start accounting, Kodak adjusted the net book value of inventories to their estimated fair value as of September 1, 2013. Refer to Note 3, Fresh Start Accounting.

Table of Contents**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are recorded at cost, net of accumulated depreciation with the exception of property, plant and equipment owned as of the application of fresh start accounting. Kodak capitalizes additions and improvements while maintenance and repairs are charged to expense as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to net (loss) earnings. In connection with fresh start accounting, property, plant and equipment were adjusted to their estimated fair value and depreciable lives were revised as of September 1, 2013. Refer to Note 3, Fresh Start Accounting.

Kodak calculates depreciation expense using the straight-line method over the assets' estimated useful lives, which are as follows:

| | Successor Company | As of September 1, 2013 |
|-------------------------------------|------------------------------|------------------------------------|
| Buildings and building improvements | 5-40 | 1-38 |
| Land improvements | 20 | 1-20 |
| Leasehold improvements | 3-20 | 1-10 |
| Equipment | 3-15 | 1-20 |
| Tooling | 1-3 | 1-3 |
| Furniture and fixtures | 5-10 | 1-10 |

Kodak depreciates leasehold improvements over the shorter of the lease term or the asset's estimated useful life.

GOODWILL

Goodwill reported in the Successor period represents the reorganizational value of assets in excess of amounts allocated to identified tangible and intangible assets. Goodwill reported in the Predecessor period represents the excess of purchase price of an acquisition over the fair value of net assets acquired. Goodwill is not amortized, but is required to be assessed for impairment at least annually. Kodak has historically performed its annual goodwill impairment assessment as of September 30. Upon application of fresh start accounting, Kodak elected October 1 as the annual goodwill impairment assessment date and will perform additional impairment tests when events or changes in circumstances occur that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

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

Kodak estimates the fair value of its reporting units using the guideline public company method and discounted cash flow method. When testing goodwill for impairment, Kodak may assess qualitative factors for some or all of its reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. If Kodak determines based on this

qualitative test of impairment that it is more likely than not that a reporting unit's fair value is less than its carrying amount, or elects to bypass the qualitative assessment for some or all of its reporting units, then a two-step goodwill impairment test is performed to test for a potential impairment of goodwill (step 1) and if potential losses are identified, to measure the impairment loss (step 2). Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. Refer to Note 3, "Fresh Start Accounting" and Note 8, "Goodwill and Other Intangible Assets."

REVENUE

Kodak's revenue transactions include sales of products (such as components and consumables for use in Kodak and other manufacturers' equipment and film based products); equipment; software; services; integrated solutions; and intellectual property licensing. Kodak recognizes revenue when realized or realizable and earned, which is when the following criteria are met: (1)

Table of Contents

persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the sales price is fixed or determinable; and (4) collectability is reasonably assured. If Kodak determines that collection of a fee is not reasonably assured, the fee is deferred and revenue is recognized at the time collection becomes reasonably assured, which is generally upon receipt of payment. At the time revenue is recognized, Kodak provides for the estimated costs of customer incentive programs, warranties and estimated returns and reduces revenue accordingly. For those incentives that require the estimation of sales volumes or redemption rates, such as for volume rebates, Kodak uses historical experience and internal and customer data to estimate the sales incentive at the time revenue is recognized. Kodak accrues the estimated cost of post-sale obligations, including basic product warranties, based on historical experience at the time Kodak recognizes revenue.

For product sales, the revenue recognition criteria are generally met when title and risk of loss have transferred from Kodak to the buyer, which may be upon shipment or upon delivery to the customer site, based on contract terms or legal requirements in certain jurisdictions.

For equipment sales, the recognition criteria are generally met when the equipment is delivered and installed at the customer site. Revenue is recognized for equipment upon delivery as opposed to upon installation when the equipment has stand-alone value to the customer, and the amount of revenue allocable to the equipment is not legally contingent upon the completion of the installation. In instances in which the agreement with the customer contains a customer acceptance clause, revenue is deferred until customer acceptance is obtained, provided the customer acceptance clause is considered to be substantive. For certain agreements, Kodak does not consider these customer acceptance clauses to be substantive because Kodak can and does replicate the customer acceptance test environment and performs the agreed upon product testing prior to shipment. In these instances, revenue is recognized upon installation of the equipment.

Revenue from the sale of software licenses is recognized when (1) Kodak enters into a legally binding arrangement with a customer for the license of software; (2) Kodak delivers the software; (3) customer payment is deemed fixed or determinable and free of contingencies or significant uncertainties; and (4) collection from the customer is probable. Software maintenance and support revenue is recognized ratably over the term of the related maintenance contract.

Revenue from services includes extended warranty, customer support and maintenance agreements, consulting, business process services, training and education. Service revenue is recognized over the contractual period or as services are performed. In service arrangements where final acceptance of a system or solution by the customer is required, revenue is deferred until all acceptance criteria have been met.

The timing and the amount of revenue recognized from the licensing of intellectual property depend upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. Revenue is only recognized after all of the following criteria are met: (1) Kodak enters into a legally binding arrangement with a licensee of Kodak's intellectual property, (2) Kodak delivers the technology or intellectual property rights, (3) licensee payment is deemed fixed or determinable and free of contingencies or significant uncertainties, and (4) collection from the licensee is reasonably assured.

Kodak's transactions may involve the sale of equipment, software, and related services under multiple element arrangements. Kodak allocates revenue at the inception of an arrangement to the various elements based on available vendor specific objective evidence (VSOE), third-party evidence (TPE), or best estimated selling price (BESP) on the basis of the relative selling price. When applying the relative selling price method, the selling price for each deliverable is based on its VSOE if available, TPE if VSOE is not available, or BESP if neither VSOE nor TPE is available. Kodak establishes VSOE of selling price using the price charged for a deliverable when sold separately. TPE of selling price is established by evaluating largely similar and interchangeable competitor products or services in

standalone sales to similarly situated customers. The BESP is established by considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. Consideration is also given to geographies, market conditions such as competitor pricing strategies and industry technology life cycles. Revenue allocated to an individual element is recognized when all revenue recognition criteria are met for that element. Kodak limits the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

Kodak evaluates each deliverable in an arrangement to determine whether they represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value to the customer, and if the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in Kodak's control. If these criteria are not met, the arrangement is accounted for as one unit of accounting and the recognition of revenue occurs upon delivery/completion or ratably as a single unit of accounting over the contractual service period.

PAGE 62

Table of Contents

Most of Kodak's equipment has both software and non-software components that function together to deliver the equipment's essential functionality and therefore they are accounted for together as non-software deliverables. Non-essential software sold in connection with Kodak's equipment sales is accounted for as separate deliverables or elements. In most cases, these software products sold as part of a multiple element arrangement include software maintenance agreements as well as unspecified upgrades or enhancements on a when-and-if-available basis. In multiple element arrangements where non-essential software deliverables are included, revenue is allocated to non-software and to software deliverables each as a group based on relative selling prices of each of the deliverables in the arrangement. The software deliverables are subject to software accounting whereby revenue is allocated based on relative VSOE or based on the residual method when VSOE exists for all undelivered software elements such as post-contract support. Revenue allocated to the software deliverables is deferred and amortized over the contract period if VSOE does not exist for post-contract support or at the completion of the contract for non-post-contract support undelivered elements such as specified up-grade rights. Revenue allocated to software licenses is recognized when all revenue recognition criteria have been met. Revenue generated from maintenance and unspecified upgrades or updates on a when-and-if-available basis is recognized over the contract period.

RESEARCH AND DEVELOPMENT COSTS

Research and development (R&D) costs, which include costs incurred in connection with new product development, fundamental and exploratory research, process improvement, product use technology and product accreditation, are expensed in the period in which they are incurred. The acquisition-date fair value of R&D assets acquired in a business combination is capitalized. In connection with fresh start accounting, Kodak capitalized the estimated fair value of certain in-process research and development projects. Refer to Note 3, "Fresh Start Accounting" and Note 8, "Goodwill and Other Intangible Assets."

ADVERTISING

Advertising costs are expensed as incurred and are included in Selling, general and administrative expenses in the accompanying Consolidated Statement of Operations. Advertising expenses amounted to \$6 million and \$14 million for the four months ended December 31, 2013 and the eight months ended August 31, 2013 respectively and \$66 million and \$135 million for the years ended December 31, 2012 and 2011, respectively.

SHIPPING AND HANDLING COSTS

Amounts charged to customers and costs incurred by Kodak related to shipping and handling are included in net sales and cost of sales, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

Kodak reviews the carrying values of its long-lived assets, other than goodwill and intangible assets with indefinite useful lives, for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable. In connection with fresh start accounting, the carrying values of long-lived assets were adjusted to estimated fair value as of September 1, 2013 and Kodak revised its estimates of the remaining useful lives of all long-lived assets. Refer to Note 3, "Fresh Start Accounting."

Kodak assesses the recoverability of the carrying values of long-lived assets by first grouping its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the asset group) and, secondly, by estimating the undiscounted future cash flows that are directly associated with and that are expected to arise from the use of and eventual disposition of such asset

group. Kodak estimates the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, Kodak records an impairment charge to the extent the carrying value of the long-lived asset exceeds its fair value. Kodak determines fair value through quoted market prices in active markets or, if quoted market prices are unavailable, through the performance of internal analyses of discounted cash flows.

In connection with its assessment of recoverability of its long-lived assets and its ongoing strategic review of the business and its operations, Kodak continually reviews the remaining useful lives of its long-lived assets. If this review indicates that the remaining useful life of the long-lived asset has changed significantly, Kodak adjusts the depreciation on that asset to facilitate full cost recovery over its revised estimated remaining useful life.

In conjunction with fresh start accounting, Kodak recorded a \$54 million indefinite-lived intangible asset related to the Kodak trade name. The carrying value of the Kodak trade name is evaluated for potential impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that the asset is impaired. Kodak elected October 1 as the annual impairment assessment date. During the fourth quarter of 2013, Kodak recorded a pre-tax impairment charge of \$8 million related to the Kodak trade name. Refer to Note 8, Goodwill and Other Intangible Assets.

Table of Contents**INCOME TAXES**

Kodak recognizes deferred tax liabilities and assets for the expected future tax consequences of operating losses, credit carry-forwards and temporary differences between the carrying amounts and tax basis of Kodak's assets and liabilities. Kodak records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized. For discussion of the amounts and components of the valuation allowances as of December 31, 2013 and 2012, see Note 17, Income Taxes.

The undistributed earnings of Kodak's foreign subsidiaries are not considered permanently reinvested. Kodak has recognized a deferred tax liability (net of related foreign tax credits) on the foreign subsidiaries' undistributed earnings.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU No. 2013-11 provides that a liability related to an unrecognized tax benefit would be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In that case, the liability associated with the unrecognized tax benefit is presented in the financial statements as a reduction to the related deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. In situations in which a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date under the tax law of the jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with deferred tax assets. The adoption of this guidance did not have an impact on Kodak's Consolidated Financial Statements.

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU No. 2013-02 requires presentation of reclassification adjustments from each component of Accumulated other comprehensive income either in a single note or parenthetically on the face of the financial statements, for those amounts required to be reclassified into net income in their entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety in the same reporting period, cross-reference to other disclosures is required. The changes to the Accounting Standards Codification (ASC) as a result of this update were effective prospectively for interim and annual periods beginning after December 15, 2012 (January 1, 2013 for Kodak). The adoption of this guidance required changes in presentation only and did not have an impact on Kodak's Consolidated Financial Statements.

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830) Parent's Accounting for the Cumulative Translation Adjustment upon De-recognition of Certain Subsidiaries or Groups of Assets within a Foreign

Entity or of an Investment in a Foreign Entity. ASU No. 2013-05 specifies that a cumulative translation adjustment (CTA) should be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For sales of an equity method investment that is a foreign entity, a pro-rata portion of CTA attributable to the investment would be recognized in earnings upon sale of the investment. When an entity sells either a part or all of its investment in a consolidated foreign entity, CTA would be recognized in earnings only if the sale results in the parent no longer having a controlling financial interest in the foreign entity. The changes in the ASC are effective prospectively for annual and interim periods beginning after December 15, 2013 (January 1, 2014 for Kodak). Kodak does not expect the adoption of the guidance will have a material impact on its Consolidated Financial Statements.

In February 2013, the FASB issued ASU No. 2013-04, Liabilities (Topic 405) Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date. ASU No 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The amendments in this update are effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013 (January 1, 2014 for Kodak). Kodak does not expect the adoption of the guidance will have a material impact on its Consolidated Financial Statements.

Table of Contents

NOTE 2: EMERGENCE FROM VOLUNTARY REORGANIZATION UNDER CHAPTER 11 PROCEEDINGS

PLAN OF REORGANIZATION

On August 23, 2013, the Bankruptcy Court entered an order (the Confirmation Order) confirming the revised First Amended Joint Chapter 11 Plan of Reorganization of Eastman Kodak Company and its Debtor Affiliates (the Plan). On September 3, 2013 (the Effective Date), the Plan became effective and the Debtors emerged from the Chapter 11 Cases.

On or following the Effective Date and pursuant to the terms of the Plan, the following occurred:

The Debtors' obligations under the second lien notes indentures, unsecured notes indentures, stock certificates, equity interests, and / or any other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of, or ownership interest in, the Debtors or giving rise to any claim or equity interest were cancelled, except as provided under the Plan;

The Company's certificate of incorporation was amended and restated to authorize the issuance of 560 million shares of stock, consisting of 60 million shares of preferred stock, no par value, and 500 million shares of common stock, par value \$0.01 per share;

The Company entered into a senior secured first lien term loan agreement and senior secured second lien term loan agreement for an aggregate principal amount of \$695 million and a \$200 million senior secured asset-based revolving credit facility;

The Company issued 34 million shares of common stock to unsecured creditors and the Backstop Parties (as defined below) at a per share price of \$11.94, for an aggregate purchase price of approximately \$406 million. In addition, the Company issued 1.7 million shares of common stock to the Backstop Parties in payment of fees pursuant to the Backstop Commitment Agreement (as defined below);

The Company issued 6 million shares of common stock and net-share settled warrants to purchase:
(i) approximately 2.1 million shares of new common stock at an exercise price of \$14.93 and
(ii) approximately 2.1 million shares of new common stock at an exercise price of \$16.12, to the holders of general unsecured and retiree committee unsecured claims;

The Debtors established a liquidating trust (the Kodak GUC Trust) for the benefit of holders of general unsecured and retiree committee unsecured claims, into which certain avoidance actions of the Debtors were transferred;

The Debtors paid approximately \$94 million in administrative, priority or secured claims; and

The Debtors resolved claims held by the Kodak Pension Plan of the United Kingdom (the U.K. Pension Plan) pursuant to the terms of the Global Settlement (as defined below).

Backstop Commitment Agreement and Rights Offering

On June 26, 2013, the Bankruptcy Court approved the Company's entry into a backstop commitment agreement (the Backstop Commitment Agreement) with GSO Capital Partners LP, on behalf of various managed funds, BlueMountain Capital Management, LLC, on behalf of various managed funds, George Karfunkel, United Equities Commodities Company, Momar Corporation and Contrarian Capital Management, LLC, on behalf of Contrarian Funds, LLC (collectively, the Backstop Parties), associated with rights offerings to offer eligible creditors, including the Backstop Parties, up to 34 million shares of common stock for the per share purchase price of \$11.94, or an aggregate purchase price of approximately \$406 million.

A portion of the shares issued in the rights offerings are restricted securities for purposes of Rule 144 under the Securities Act of 1933 and may not be offered, sold or otherwise transferred absent registration under the Securities Act of 1933 or an applicable exemption from registration requirements. The shares issued to participants in the rights offerings were issued in reliance upon the exemption from registration under the Securities Act of 1933 provided by Regulation D thereunder and/or Section 4(a)(2) thereof; or under Section 1145 of the Bankruptcy Code as securities of a debtor issued principally in exchange for claims against a debtor and partly in exchange for cash pursuant to a plan of reorganization.

Table of Contents*Registration Rights Agreement*

On the Effective Date, the Company and the Backstop Parties executed a registration rights agreement (the Registration Rights Agreement). The Registration Rights Agreement, among other rights, provides the Backstop Parties with certain registration rights with respect to the common stock.

Following the earlier of the filing of Kodak's annual report on Form 10-K as of and for the year ending December 31, 2013 or June 30, 2014, stockholders holding registrable securities representing 25% of the outstanding common stock as of the Effective Date may require the Company to facilitate a registered offering of registrable securities; provided that if such registration has not been consummated prior to the second anniversary of the Effective Date, stockholders holding registrable securities representing 10% of the outstanding common stock as of the Effective Date may require the Company to facilitate such an offering (such offering, the Initial Registration). The registrable securities requested to be sold in the Initial Registration must have an aggregate market value of at least \$75 million.

Following the Initial Registration, stockholders holding 10% or more of the outstanding registrable securities may demand that the Company file a shelf registration statement and effectuate one or more takedowns off of such shelf, or, if a shelf is not available, effectuate one or more stand-alone registered offerings, provided that such non-shelf registered offerings or shelf takedowns may not be requested more than four times and, in each case, shall include shares having an aggregate market value of at least \$75 million. Beginning on the second anniversary of the Effective Date, upon request of a stockholder, the Company shall amend its existing shelf registration statement to register additional registrable securities as set forth in the Registration Rights Agreement. Stockholders also have the right to include their registrable securities in the Initial Registration or any other non-shelf registered offering or shelf takedown of the common stock by the Company for its own account or for the account of any holders of common stock.

KPP Global Settlement

The Company had previously issued (pre-petition) a guarantee to Kodak Limited (the Subsidiary) and KPP Trustees Limited (KPP or the Trustee), as trustee for the U.K. Pension Plan. Under that arrangement, EKC guaranteed to the Subsidiary and the Trustee the ability of the Subsidiary, only to the extent it became necessary to do so, to (1) make contributions to the U.K. Pension Plan to ensure sufficient assets existed to make plan benefit payments, as they became due, if the Subsidiary otherwise would not have sufficient assets and (2) make contributions to the U.K. Pension Plan such that it would achieve fully funded status by the funding valuation for the period ending December 31, 2022.

The Subsidiary agreed to make certain contributions to the U.K. Pension Plan as determined by a funding plan agreed to by the Trustee. The Subsidiary did not pay the annual contributions due by the funding plan for 2012 or 2013. The Trustee asserted an unsecured claim against the Company of approximately \$2.8 billion under the guarantee. The Subsidiary also asserted an unsecured claim under the guarantee for an unliquidated amount. The Trustee also asserted an unliquidated claim against all Debtors, as financial support direction and contribution notice claims.

On April 26, 2013, Eastman Kodak Company, the Trustee, Kodak Limited 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). The underfunded position of the U.K. Pension Plan of approximately \$1.5 billion was included in Liabilities held for sale presented in the Consolidated Statement of Financial Position as of December 31, 2012.

On August 30, 2013, the Company entered into an agreement (the Amended SAPA) amending and restating the SAPA. The Amended SAPA provides for, among other things, a series of deferred closings that will take place in certain foreign jurisdictions following the initial closing under the Amended SAPA. The deferred closings will implement the legal transfer of the Business to KPP subsidiaries in the deferred closing foreign jurisdictions in accordance with local law. Pursuant to the Amended SAPA, Kodak will operate the Business relating to the deferred closing jurisdictions, subject to certain covenants, until the applicable deferred closing occurs, and will deliver to (or receive from) a KPP subsidiary at each deferred closing a payment reflecting the actual economic benefit (or detriment) to the Business in the applicable deferred closing jurisdiction(s) from September 1, 2013 through the time of the applicable deferred closing. Up to the time of the deferred closing, the results of the operations of the Business will be reported as Earnings (loss) from discontinued operations, net of income taxes in the Consolidated Statement of Operations and the assets and liabilities of the Business will be categorized as Assets held for sale or Liabilities held for sale in the Consolidated Statement of Financial Position, as appropriate.

On the Effective Date, the following occurred pursuant to the Amended SAPA and Global Settlement:

The acquisition by 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), of certain assets of the Business, and the assumption by the KPP Purchasing Parties of certain liabilities of the Business, for a total purchase price, exclusive of the assumption of liabilities, of \$650 million, of which a gross \$525 million was paid in cash (net cash consideration of \$325 million) and the balance of which was settled by a \$125 million note issued by the KPP (the KPP Note).

PAGE 66

Table of Contents

The KPP Note was cancelled after being assigned by the Company to the Subsidiary and subsequently assigned by the Subsidiary to KPP as settlement, by way of setoff, of an equal amount of outstanding pension liabilities of the Subsidiary to KPP.

The cash consideration was comprised of \$325 million sourced from assets of the U.K. Pension Plan and \$200 million sourced from a payment by the Subsidiary to KPP as payment for outstanding pension liabilities of the Subsidiary to KPP.

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.

SECTION 363 ASSET SALES

On February 1, 2013, Kodak entered into a series of agreements related to the monetization of certain of its intellectual property assets, including the sale of its digital imaging patents. Under these agreements, Kodak received approximately \$530 million, a portion of which was paid by twelve licensees that received a license to the digital imaging patent portfolio and other patents owned by Kodak. Another portion was paid by Intellectual Ventures Fund 83 LLC (Intellectual Ventures) and Apple, Inc., each of which acquired a portion of the digital imaging patent portfolio, subject to the licenses granted to the twelve new licensees, and previously existing licenses. In addition, Kodak retained a license to the digital imaging patents for its own use. In connection with this transaction, the Company entered into a separate agreement with FUJIFILM Corporation (Fuji) whereby, among other things, Fuji granted Kodak the right to sub-license certain Fuji patents to businesses Kodak ultimately sold as part of the Plan. The Debtors also agreed to allow Fuji a general unsecured claim against the Debtors in the amount of \$70 million that was discharged pursuant to the terms of the Plan.

EASTMAN BUSINESS PARK SETTLEMENT AGREEMENT

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). Upon implementation of the Amended EBP Settlement Agreement , (i) the EBP Trust will be 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 will fund 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.

Approximately \$31 million was already held in a separate trust to support the environmental liabilities related to EBP and is recorded within Restricted cash in Kodak's Consolidated Statement of Financial Position. An escrow account of \$18 million was established on the Effective Date for the balance of the EBP Trust obligation and is reported within Other current assets in Kodak's Consolidated Statement of Financial Position. The Amended EBP Settlement Agreement is not yet effective and is 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 with respect to liabilities that are addressed in the Amended EBP Settlement Agreement. The deadline for implementation of the Amended EBP Settlement Agreement is May 15, 2014.

OTHER POSTEMPLOYMENT BENEFITS

On November 7, 2012, the Bankruptcy Court entered an order approving a settlement agreement between the Debtors and the Official Committee of Retired Employees appointed by the U.S. Trustee under the chapter 11 proceedings (the Retiree Committee). Under the settlement agreement, the Debtors no longer provide retiree medical, dental, life insurance and survivor income benefits to current and future retirees after December 31, 2012 (other than COBRA continuation coverage of medical and/or dental benefits or conversion coverage as required by applicable benefit plans or applicable law), and the Retiree Committee established a trust from which some limited benefits for some retirees may be provided after December 31, 2012. The trust or related account was funded by the following contributions from the Debtors: \$7.5 million in cash paid by the Company in the fourth quarter of 2012, an administrative claim against the Debtors in the amount of \$15 million that was paid on the Effective Date, and a general unsecured claim against the Debtors in the amount of \$635 million that was discharged upon emergence from chapter 11 pursuant to the terms of the Plan.

RETIREES SETTLEMENT

The Debtors estimated allowed claims for pre-petition obligations for the Kodak Excess Retirement Income Plan (the KERIP), the Kodak Unfunded Retirement Income Plan (the KURIP), the Kodak Company Global Pension Plan for International Employees, and individual letter agreements with certain current and former employees that provided for supplemental non-qualified pension benefits were reported as Liabilities subject to compromise in the accompanying Consolidated Statement of Financial Position.

On April 30, 2013, Eastman Kodak Retirees Association Ltd. and certain holders of KERIP and KURIP claims (together with the Debtors, the Settlement Parties) filed a motion (the Motion) requesting that the Bankruptcy Court appoint a committee pursuant to section 1102(a)(2) of the Bankruptcy Code, to represent the interests of the holders of the KERIP and KURIP claims, and asserted that they and

Table of Contents

certain other holders of the KERIP and KURIP claims disagreed with the underlying discount rates and mortality tables used by the Debtors to calculate the KERIP and KURIP estimated allowed claim amounts. Subsequent to the filing of the Motion, the Settlement Parties entered into a stipulation (the Stipulation) approved by an order of the Bankruptcy Court, which became effective on July 18, 2013, for a total allowed claim of approximately \$244 million. During August 2013 a provision for expected allowed claims of approximately \$27 million was reflected in Reorganization Items, net in the accompanying Consolidated Statement of Operations to increase the recorded liability to what was ultimately agreed to in the Stipulation.

On the Effective Date, the claim was discharged upon emergence pursuant to the terms of the Plan.

NOTE 3: FRESH START ACCOUNTING

In connection with the Company's emergence from chapter 11, Kodak applied the provisions of fresh start accounting to its financial statements as (i) the holders of existing voting shares of the Predecessor Company received less than 50% of the voting shares of the emerging entity and (ii) the reorganization value of Kodak's assets immediately prior to confirmation was less than the post-petition liabilities and allowed claims. Kodak applied fresh start accounting as of September 1, 2013.

Upon the application of fresh start accounting, Kodak allocated the reorganization value to its individual assets based on their estimated fair values. Reorganization value represents the fair value of the Successor Company's assets before considering liabilities. The excess reorganization value over the fair value of identified tangible and intangible assets is reported as goodwill.

Reorganization Value

In support of the Plan, the enterprise value of the Successor Company was estimated to be in the range of \$875 million to \$1.4 billion. As part of determining the reorganization value, Kodak estimated the enterprise value of the Successor Company to be \$1 billion utilizing the guideline public company method and discounted cash flow method.

To estimate fair value utilizing the guideline public company method, Kodak applied valuation multiples, derived from the operating data of publicly-traded benchmark companies, to the same operating data of Kodak. The comparable public company analysis identified a group of comparable companies giving consideration to lines of business and markets served, size and geography. The valuation multiples were derived based on projected financial measures of revenue and earnings before interest, taxes, depreciation and amortization (EBITDA) and applied to projected operating data of Kodak. The range of multiples for the comparable companies was between .2x-.9x of revenue and 2.5x-8.0x of EBITDA.

To estimate fair value utilizing the discounted cash flow method, Kodak established an estimate of future cash flows for the period ranging from September 1, 2013 to December 31, 2022 and discounted the estimated future cash flows to present value. The expected cash flows for the period September 1, 2013 to December 31, 2017 were based on the financial projections and assumptions utilized in the disclosure statement. The expected cash flows for the period January 1, 2018 to December 31, 2022 were derived from earnings forecasts and assumptions regarding growth and margin projections, as applicable. A terminal value was included, calculated using the constant growth method, based on the cash flows of the final year of the forecast period.

The discount rate of 29% was estimated based on an after-tax weighted average cost of capital (WACC) reflecting the rate of return that would be expected by a market participant. The WACC also takes into consideration a company specific risk premium reflecting the risk associated with the overall uncertainty of the financial projections used to

estimate future cash flows.

As the valuation approaches produced comparable ranges of enterprise value, Kodak selected equal weighting of the guideline public company method and discounted cash flow method to estimate the enterprise value.

PAGE 68

Table of Contents

The following table reconciles the enterprise value to the estimated fair value of Successor common stock as of the Effective Date:

| | |
|--|------------|
| (in millions, except share and per share value) | |
| Enterprise value | \$ 1,000 |
| Plus: Cash and cash equivalents | 898 |
| Less: Other non-operating liabilities | 18 |
| Less: Fair value of debt and capitalized lease obligations | 734 |
| Less: Fair value of pension and other postretirement obligations | 533 |
| Less: Fair value of warrants | 24 |
| | |
| Fair value of Successor common stock | \$ 589 |
| | |
| Shares outstanding at September 3, 2013 | 41,753,211 |
| Per share value | \$ 14.11 |

The fair value of debt and capitalized lease obligations represents \$44 million of short term borrowings, \$14 million of capitalized lease obligations and \$676 million of long-term debt. The fair value of long-term debt was determined based on a market approach utilizing market yields and was estimated to be approximately 97% of par value. The fair value of capitalized lease obligations was determined based on market rents while the fair value of short term debt approximated its carrying value.

The fair value of pension and other post retirement obligations was determined based on a discounted cash flow method of expected cash contributions/benefit payments for the period of September 1, 2013 to December 31, 2099. The expected cash contributions were discounted to present value using a discount rate of 3.5%.

The fair value of the warrants was estimated using a Black-Scholes pricing model with the following assumptions: implied stock price of \$14.11; strike price of \$14.93 for 125% warrants and \$16.12 for 135% warrants; expected volatility of 47% for 125% warrants and 48% for 135% warrants; expected dividend rate of 0.0%; risk free interest rate of 1.67%; expiration date of five years.

The following table reconciles the enterprise value to the estimated reorganization value as of the Effective Date:

| | |
|--|----------|
| (in millions) | |
| Enterprise value | \$ 1,000 |
| Plus: Cash and cash equivalents | 898 |
| Plus: Fair value of noncontrolling interests | 10 |
| Plus: Fair value of non-debt liabilities | 2,088 |
| Less: Fair value of pension and other postretirement obligations | 533 |
| | |
| Reorganization value of Successor assets | \$ 3,463 |

The fair value of non-debt liabilities represents total liabilities of the Successor Company on the Effective Date less Short term borrowings and current portion of long-term debt, Long-term debt, net of current portion, \$14 million in

capital lease obligations and \$18 million in other non-operating liabilities.

Consolidated Statement of Financial Position

The adjustments set forth in the following consolidated Statement of Financial Position reflect the effect of the consummation of the transactions contemplated by the Plan (reflected in the column "Reorganization Adjustments") as well as fair value adjustments as a result of the adoption of fresh start accounting (reflected in the column "Fresh Start Adjustments"). The explanatory notes highlight methods used to determine fair values or other amounts of the assets and liabilities as well as significant assumptions or inputs.

PAGE 69

Table of Contents

| (in millions) | Predecessor Company (a) | Reorganization Adjustments | Fresh Start Adjustments | Successor Company |
|---|----------------------------|-------------------------------|-------------------------------|----------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 1,070 | \$ (172)(1) | \$ | \$ 898 |
| Restricted cash | 24 | 98(2) | | 122 |
| Receivables, net | 492 | | | 492 |
| Inventories, net | 435 | | 67(21) | 502 |
| Assets held for sale | 109 | | 8(22) | 117 |
| Other current assets | 77 | 8(3) | (42)(23) | 42 |
| | | (1)(4) | | |
| Total current assets | 2,207 | (67) | 33 | 2,173 |
| Property, plant & equipment, net | 507 | | 220(24) | 727 |
| Goodwill | 56 | | 32(25) | 88 |
| Intangible assets, net | 43 | | 192(26) | 235 |
| Deferred income taxes | 22 | (21)(3) | 55(23) | 56 |
| Other long-term assets | 202 | 15(5) | (26)(27) | 184 |
| | | 8(6) | (8)(28) | |
| | | (8)(7) | 1(29) | |
| TOTAL ASSETS | \$ 3,037 | \$ (73) | \$ 499 | \$ 3,463 |
| LIABILITIES AND EQUITY (DEFICIT) | | | | |
| Current Liabilities | | | | |
| Accounts payable, trade | \$ 317 | \$ 6(8) | \$ | \$ 339 |
| | | 3(9) | | |
| | | 13(10) | | |
| Short-term borrowings and current portion of long-term debt | 681 | (641)(11) | | 44 |
| | | 4(12) | | |
| Other current liabilities | 600 | (17)(13) | (8)(30) | 586 |
| | | (13)(3) | (14)(29) | |
| | | 38(14) | | |
| Liabilities held for sale | 45 | | (3)(22) | 42 |
| Total current liabilities | 1,643 | (607) | (25) | 1,011 |
| Long-term debt, net of current portion | 370 | (370)(15) | 11(31) | 676 |
| | | 665(16) | | |
| Pension and other postretirement liabilities | 411 | 156(17) | 178(29) | 745 |
| Other long-term liabilities | 318 | 61(17) | 82(23) | 408 |
| | | | (53)(32) | |
| Liabilities subject to compromise | 2,475 | (2,475)(17) | | |
| Total liabilities | 5,217 | (2,570) | 193 | 2,840 |
| Equity (Deficit) | | | | |

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| | | | | |
|---|-----------------|----------------|---------------|-----------------|
| Common stock (Successor) | | (18) | | |
| Additional paid in capital (Successor) | | 540(18) | 73(33) | 613 |
| Common stock (Predecessor) | 978 | (978)(19) | | |
| Additional paid in capital (Predecessor) | 1,105 | (1,105)(19) | | |
| Retained earnings (deficit) | 2,446 | (1,671)(20) | (775)(34) | |
| Accumulated other comprehensive loss | (1,008) | | 1,008(34) | |
| | 3,521 | (3,214) | 306 | 613 |
| Less: Treasury stock (Predecessor) | (5,711) | 5,711(19) | | |
| Total Eastman Kodak Company shareholders (deficit) equity | (2,190) | 2,497 | 306 | 613 |
| Noncontrolling interests | 10 | | | 10 |
| Total equity (deficit) | (2,180) | 2,497 | 306 | 623 |
| TOTAL LIABILITIES AND EQUITY (DEFICIT) | \$ 3,037 | \$ (73) | \$ 499 | \$ 3,463 |

PAGE 70

Table of Contents

- (a) On the Effective Date, Kodak completed the sale of substantially all of its assets constituting the Personalized Imaging and Document Imaging businesses to KPP Holdco Limited. This transaction has been reflected in the Predecessor Company period. Refer to Note 26, *Discontinued Operations* for additional information.

Reorganization adjustments

1. Reflects the net cash payments recorded as of the Effective Date from implementation of the Plan:

(in millions)

Sources:

| | |
|---|--------|
| Net proceeds from Emergence Credit Facilities | \$ 664 |
| Proceeds from Rights Offerings | 406 |

Total sources \$ 1,070

Uses:

| | |
|------------------------------------|--------|
| Repayment of Junior DIP Term Loans | \$ 644 |
| Repayment of Second Lien Notes | 375 |
| Claims paid at emergence | 94 |
| Funding of escrow accounts | 113 |
| Other fees and expenses | 16 |

Total uses 1,242

Net uses \$ (172)

Other fees and expenses represent \$7 million payment for accrued and unpaid interest related to the repayment of debt and \$9 million payment for emergence and success fees, which is included in Reorganization items, net in the Consolidated Statement of Operations.

2. Reflects the funding of \$80 million to the professional fee escrow account for professional fees accrued at emergence and \$18 million related to the EBP Settlement Agreement. Refer to Note 2, *Emergence from Voluntary Reorganization under Chapter 11 Proceedings* for additional information regarding the EBP Settlement Agreement.
3. Reflects the expiration of tax attributes, which was fully offset by a corresponding decrease in Kodak's U.S. valuation allowance, as a result of the Debtors' emergence from chapter 11 bankruptcy proceedings. Refer to Note 17, *Income Taxes* for additional information.
4. Represents the write-off of unamortized debt issuance costs of \$1 million related to the Junior DIP Credit Agreement upon repayment in full of all outstanding term loans on the Effective Date. This amount has been included in Reorganization items, net in the Consolidated Statement of Operations.

5. Represents the funding of \$15 million in cash collateralization for letters of credit under the ABL Credit Facility.
6. Represents \$8 million of debt issuance costs incurred related to the Emergence Credit Facilities.
7. Represents the write-off of \$5 million of deferred debt issuance costs upon repayment in full of all loans outstanding under the 9.75% senior secured notes due 2018 and 10.625% senior secured notes due 2019 and the write-off of \$3 million of deferred equity issuance costs. These amounts have been included in Reorganization items, net in the Consolidated Statement of Operations.
8. Represents \$6 million in claims expected to be satisfied in cash that were reclassified from Liabilities subject to compromise.
9. Represents \$3 million of accrued expenses related to the Emergence Credit Facilities that have been deferred and recorded as part of Other Current assets.
10. Represents \$13 million in success fees accrued upon emergence that have been included in Reorganization items, net in the Consolidated Statement of Operations.
11. On the Effective Date, the Company repaid in full all term loans outstanding under the Junior DIP Credit Agreement for an aggregate remaining principal amount of approximately \$644 million offset by \$3 million of unamortized debt discount that was written off upon repayment of the debt and is included in Reorganization items, net in the Consolidated Statement of Operations.

Table of Contents

12. Represents \$4 million of principal amount recorded as short-term borrowings pursuant to the terms of the Emergence Credit Facility.
13. On the Effective Date, the Company paid \$7 million of accrued and unpaid interest related to the repayment of debt and \$10 million in administrative claims that was included within Other current liabilities.
14. Represents \$29 million in claims expected to be settled in cash and \$9 million of liabilities that have been retained by Kodak in accordance with the Plan that have been reclassified from Liabilities subject to compromise.
15. On the Effective Date, the Company repaid in full all loans outstanding under the 9.75% senior secured notes due 2018 and 10.625% senior secured notes due 2019 for an aggregate principal amount of approximately \$375 million offset by \$5 million of unamortized debt discount that was written off upon repayment of the debt and is included in Reorganization items, net in the Consolidated Statement of Operations.
16. Upon issuance of the Term Loans under the Emergence Credit Facility, the Company received net proceeds of approximately \$669 million, of which \$4 million of the principal amount of the loans are recorded as short-term borrowings pursuant to the terms of the Emergence Credit Facility.
17. Liabilities subject to compromise were settled as follows in accordance with the Plan:

| | |
|---|----------|
| (in millions) | |
| Liabilities subject to compromise of the Predecessor Company (LSTC) | \$ 2,475 |
| Cash payments at emergence from LSTC | (84) |
| Claims expected to be satisfied in cash | (35) |
| Liabilities reinstated at emergence: | |
| Pension and other postretirement liabilities | (156) |
| Environmental obligations | (61) |
| Other current liabilities | (9) |
| Total liabilities reinstated at emergence | (226) |
| Fair value of equity issued to unsecured creditors | (85) |
| Fair value of warrants issued to unsecured creditors | (24) |
| Gain on settlement of liabilities subject to compromise | \$ 2,021 |

Refer to explanation #18 for the determination of fair value for equity issued to unsecured creditors.

18. Reflects the issuance of 34 million shares of common stock at a per share price of \$11.94 in connection with the Rights Offering, 6 million shares of common stock issued to the holders of general unsecured and retiree

committee unsecured claims valued at \$14.11 per share, 1.7 million shares of common stock valued at \$14.11 per share issued to the Backstop Parties in connection with the Backstop Commitment Agreement, 0.1 million shares of common stock issued under Kodak's 2013 Omnibus Incentive Plan on the Effective Date, and issuance of warrants valued at \$24 million.

19. Reflects the cancellation of Predecessor Company equity to retained earnings.

20. Reflects the cumulative impact of the reorganization adjustments discussed above:

(in millions)

| | |
|---|------------|
| Gain on settlement of liabilities subject to compromise | \$ 2,021 |
| Fair value of shares issued to Backstop Parties and employees | (25) |
| Write-off of unamortized debt discounts and debt issuance costs | (14) |
| Success fees accrued at emergence | (13) |
| Emergence and success fees paid at emergence | (9) |
| Write-off of deferred equity issuance costs | (3) |
| Net gain on reorganization adjustments | 1,957 |
| Cancellation of Predecessor Company equity | (3,628) |
| Net impact to Retained earnings (deficit) | \$ (1,671) |

Table of Contents

The net gain on reorganization adjustments has been included in Reorganization items, net in the Consolidated Statement of Operations.

Fresh Start adjustments

21. An adjustment of \$67 million was recorded to increase the net book value of inventories to their estimated fair value, which was determined as follows:

Fair value of finished goods inventory were determined based on the estimated selling price less costs to sell including disposal and holding period costs, and a reasonable profit margin on the selling and disposal effort.

Fair value of work-in-process was determined based on the estimated selling price once completed less total costs to complete the manufacturing effort, costs to sell including disposal and holding period costs, and a reasonable profit on the remaining manufacturing, selling and disposal effort.

Fair value of raw materials was determined based on current replacement costs.

The following table summarizes the components of inventory as of August 31, 2013, and the fair value at September 1, 2013:

| (in millions) | Successor As of September 1, 2013 | Predecessor As of August 31, 2013 |
|-----------------|--|--|
| Finished goods | \$ 280 | \$ 235 |
| Work in process | 120 | 99 |
| Raw materials | 102 | 101 |
| Total | \$ 502 | \$ 435 |

22. Represents fair value adjustment to the assets and liabilities of the Company's Personalized Imaging and Document Imaging businesses in delayed close countries.
23. Represents the net decrease in tax assets and tax liabilities associated with adjustments for fresh start accounting.
24. An adjustment of \$220 million was recorded to increase the net book value of property, plant and equipment to estimated fair value. Fair value was determined as follows:

The market, sales comparison or trended cost approach was utilized for land, buildings and building improvements. This approach relies upon recent sales, offerings of similar assets or a specific inflationary adjustment to original purchase price to arrive at a probable selling price.

The cost approach was utilized for machinery and equipment. This approach considers the amount required to construct or purchase a new asset of equal utility at current prices, with adjustments in value for physical deterioration, and functional and economic obsolescence. Physical deterioration is an adjustment made in the cost approach to reflect the real operating age of an asset with regard to wear and tear, decay and deterioration that is not prevented by maintenance. Functional obsolescence is the loss in value or usefulness of an asset caused by inefficiencies or inadequacies of the asset, as compared to a more efficient or less costly replacement asset with newer technology. Economic obsolescence is the loss in value or usefulness of an asset due to factors external to the asset, such as the economics of the industry, reduced demand, increased competition or similar factors.

Table of Contents

The following table summarizes the components of property, plant and equipment, net as of August 31, 2013, and the fair value at September 1, 2013:

| (in millions) | Successor As of September 1, 2013 | Predecessor As of August 31, 2013 |
|-------------------------------------|--|--|
| Land | \$ 114 | \$ 35 |
| Buildings and building improvements | 180 | 189 |
| Machinery and equipment | 402 | 252 |
| Construction in progress | 31 | 31 |
| Total | \$ 727 | \$ 507 |

For property, plant and equipment owned at September 1, 2013, the depreciable lives were revised to reflect the remaining estimated useful lives. Refer to Note 1, *Basis of Presentation and Significant Accounting Policies* for additional information.

Table of Contents

25. This adjustment eliminated the Predecessor goodwill balance of \$56 million and records Successor goodwill of \$88 million, which represents the reorganizational value of assets in excess of amounts allocated to identified tangible and intangible assets, as follows:

| (in millions) | Successor As of September 1, 2013 | |
|--|--|-------|
| Reorganization value of Successor assets | \$ | 3,463 |
| Less: Fair value of Successor assets (excluding goodwill) | | 3,375 |
| Reorganization value of Successor assets in excess of fair value | \$ | 88 |
| Successor goodwill | | |