

# ARCHIVED REPORT

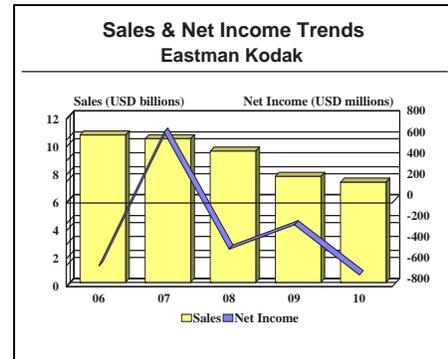
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## Eastman Kodak

### Outlook

- Company posted a loss of \$687 million for 2010 compared to a loss of \$209 million in 2009
- Loss for 2010 primarily reflects a \$626 million charge related to the write-down in value of its Film, Photofinishing and Entertainment Group segment
- As Kodak's aerospace- and defense-related operations have been negligible for several years, this report will be archived in 2012



### Headquarters

Eastman Kodak Company  
343 State St  
Rochester, New York 14650  
Telephone: +1 (585) 724-4000  
Web site: <http://www.kodak.com>

Kodak has been a multinational company since it opened its first wholesale office in London in 1885. Today the company displays its colors and products in

virtually every corner of the globe. The company moved its international offices to London in a strategy focused on global opportunities in Europe, the Pacific Rim, and emerging Eastern countries. Since the spin-off of Eastman Chemical in 1993, Kodak has conducted business in one industry: imaging.

At the beginning of 2011, the company employed about 18,800 people, 9,600 of them in the United States.

### Structure and Personnel

Antonio M. Perez  
Chairman and Chief Executive Officer

Frank S. Sklarsky  
Chief Financial Officer & Executive Vice President

Robert L. Berman  
Senior Vice President and Chief Human Resources Officer

John Blake  
Vice President and General Manager, Digital Capture & Imaging Devices

Philip J. Faraci  
President and Chief Operating Officer

Laura G. Quatela  
Senior Vice President, General Counsel, and Chief Intellectual Property Officer

Isidre Rosello  
Vice President & General Manager,  
Digital Printing Solutions

Brad W. Kruchten  
Senior Vice President and President, Film,  
Photofinishing & Entertainment Group

Dolores K. Kruchten  
Vice President & General Manager, Business  
Solutions and Services

Michael L. Marsh  
Vice President & General Manager, Digital Imaging  
Systems & Customer Growth, Graphic  
Communications Group

Kim VanGelder  
Vice President and Chief Information Officer

Terry R. Taber  
Senior Vice President and Chief Technical Officer

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## Product Area

Kodak is believed to be managed in the following manner:

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1. Consumer Digital Imaging Group
2. Film, Photofinishing and Entertainment Group
3. Graphic Communications Group
4. All Other
  - 4.1 Display and Components
  - 4.2 Imaging Sensor Business

Kodak's products include equipment for capturing, recording, or displaying images, including cameras, printers, film, and photofinishing products.

Consumer Digital Imaging encompasses digital capture, kiosks, home printing systems, business development, inkjet systems, digital imaging services, and imaging sensors. This segment provides consumers, professionals, and cinematographers with digital products and services.

Film, Photofinishing and Entertainment provides consumer and professional film, photographic paper and photofinishing, aerial and industrial film, and entertainment products and services. This segment provides consumers, professionals, and cinematographers with traditional products and services.

Graphic Communications offers on-demand color and black-and-white printing, wide-format inkjet printing, and high-speed, high-volume, and continuous inkjet printing, as well as document scanning, archiving, and multi-vendor IT services.

Display and Components, part of the All Other segment, designs and manufactures state-of-the-art, organic light-emitting diode displays, as well as other specialty materials, and delivers imaging sensors to original equipment manufacturers.

## Facilities

The company has worldwide manufacturing, processing, marketing, and distribution facilities.

**United States**

The imaging operations of Kodak's business in the U.S. are located in and around Rochester, New York, where photographic goods are manufactured. Another manufacturing facility, near Windsor, Colorado, also produces sensitized photographic goods. Regional distribution centers are located in various facilities in the United States.

Government customer Web site:

<http://www.kodak.com/US/en/corp/government/>

**International**

Image manufacturing facilities outside the United States are located in Australia, Brazil, Canada, France, Germany, Mexico, and the United Kingdom. The company maintains marketing and distribution centers in many parts of the world. It also owns processing laboratories in several locations outside the United States.

## Corporate Overview

Overall, Kodak has little interest in becoming a major prime system supplier to the military. It would prefer to obtain R&D contracts and funding for advanced technology in association with its commercial products, and to sell the resultant sensor-oriented products to prime contractors.

**New Products and Services**

No new aerospace- or defense-related products or services have been announced by Kodak in the past two years.

**Plant Expansion/Organization Update**

**Film Products Unit Renamed.** Effective January 1, 2008, the Film Products Group (FPG) was renamed the Film, Photofinishing and Entertainment Group (FPEG). With this change, certain strategic product groups previously included in the Consumer Digital Imaging Group, the Graphic Communications Group, and the All Other segment became part of FPEG. This change in structure is to align the company's reporting structure to the way in which the

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company manages its business. The most significant changes (the transfer of photographic paper and chemicals, and photofinishing services to FPEG from the Consumer Digital Imaging Group, and the transfer of the graphic arts film business from the Graphic Communications Group to FPEG) reflect the common traditional technology and infrastructure associated with the manufacturing and supply chain for all FPEG products.

**CIG Realignment.** In September 2004, Eastman Kodak began repositioning the management and product lines of its Commercial Imaging Group (CIG) into allied businesses. The repositioning of CIG complemented the company's strategy of accelerating growth in commercial, consumer, and health markets by deploying CIG's management talent to lead larger organizations. The move was designed to enhance the company's operational performance and to accelerate profitable growth. The changes became effective January 1, 2005. The move followed the sale by Kodak in August 2004 of its Remote Sensing Systems operation to ITT Industries for \$725 million. RSS was among the largest operations within the company's CIG, accounting for approximately 27 percent of its revenues in 2003.

### Mergers/Acquisitions/Divestitures

**Microfilm Assets Sold.** In April 2011, Kodak completed the sale of certain assets of its microfilm products and equipment business to Eastman Park Micrographics Inc. The sale includes agreements for Kodak to continue supplying current microfilms, as well as to provide service and support for microfilm equipment. It also includes Kodak's data conversion services business, based in Monroe, North Carolina, which converts data between analog and digital formats. The sale does not include Kodak's Document Imaging business, a fundamental element in Kodak's Business Solutions and Services Group. Terms were not announced.

**OLED Operations Sold.** In December 2009, Kodak completed the sale of its OLED (organic light-emitting diode) business to an entity set up by a group of LG companies. According to the company, this move will tighten Kodak's investment focus and strengthen its financial position. Financial details were not disclosed.

**Scanner Unit Acquired.** In September 2009, Kodak completed the acquisition of the scanner division of Böwe Bell + Howell. The scanner division, a supplier of document scanners to value-added resellers, systems integrators, and end users, is based in the greater Chicago area and conducts business worldwide, with locations in North America, Europe, and Asia. The scanner division is now part of Kodak's Document Imaging Business, which is within the Business

Solutions and Services Group. Financial terms of the transaction were not disclosed.

**Health Group Sold to Onex.** In May 2007, Kodak completed the sale of its Health Group to Onex Corporation. The acquired business is continuing under the name Carestream Health Inc. Kodak has received \$2.35 billion in cash, and will receive up to \$200 million in additional future payments if Onex achieves certain returns with respect to its investment. Primarily because of tax-loss considerations, Kodak expects to retain the vast majority of the initial \$2.35 billion cash proceeds. The company plans to use a portion of the proceeds to fully repay its approximately \$1.15 billion of secured term debt. Approximately 8,100 employees associated with the Health Group have transferred to Carestream Health. The business focuses on information technology, molecular imaging systems, and medical and dental imaging, including digital X-ray capture, medical printers, and X-ray film.

**Creo Acquired.** In June 2005, Eastman Kodak completed its \$988 million acquisition of Creo Inc, a supplier of prepress and workflow systems used by commercial printers. Creo's solutions portfolio is now part of the Graphic Solutions & Services (GS&S) operating unit within Kodak's Graphic Communications Group.

**National Semiconductor Unit Acquired.** In August 2004, Eastman Kodak agreed to purchase the imaging business of National Semiconductor Corp, which develops and manufactures complementary metal oxide semiconductor image sensor (CIS) devices. Terms of the agreement were not disclosed. As part of this agreement, Kodak was to acquire certain assets, including intellectual property and equipment, and planned to hire approximately 50 employees then supporting National's imaging business. Most of the employees were based in Santa Clara, California. These assets were to become part of Kodak's Image Sensor Solutions organization, which designs and manufactures image sensors for professional and industrial imaging markets. Through this acquisition, Kodak added resources and technologies (including advanced mixed-signal circuit design) that would further strengthen its ability to design next-generation CIS devices.

**Joint Venture Stakes Acquired.** In May 2004, Eastman Kodak Company acquired two lines of business from Heidelberger Druckmaschinen AG, a producer of offset printing machines. Kodak purchased Heidelberg's 50 percent interest in NexPress Solutions LLC, a 50/50 joint venture of Kodak and Heidelberg that makes digital color printing systems, and the equity of Heidelberg Digital LLC, a manufacturer of digital black-and-white printing systems. Kodak also acquired

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NexPress GmbH, Heidelberg's German subsidiary, and certain inventory and assets held by Heidelberg's regional operations. This move advanced Kodak's strategy of diversifying its business portfolio and accelerated its participation in the digital commercial printing industry.

### **Kodak Sells Remote Sensing Systems to ITT.**

In August 2004, Eastman Kodak sold the assets and business of the Remote Sensing Systems (RSS) operation, including the stock of Kodak's wholly owned subsidiary, Research Systems Inc (RSI), to ITT Industries for \$725 million in cash. RSS was part of Kodak's Commercial & Government Systems' operation within the Commercial Imaging Group, and its customers included NASA, other U.S. government agencies, and aerospace and defense companies. Kodak's RSS operation, including RSI, had 2003 sales of approximately \$425 million, and is a provider of specialized imaging solutions to the aerospace and defense community.

**Scitex Digital Printing Acquired.** In January 2004, Eastman Kodak completed its acquisition of the assets of Dayton, Ohio-based Scitex Digital Printing (SDP), a producer of high-speed, variable data inkjet printing systems, from Scitex Corporation Ltd. Kodak acquired these assets for \$250 million and funded the acquisition through available cash, with no incremental borrowing. After taking into account \$13 million of Scitex Digital Printing's cash balance acquired at closing, Kodak paid a net cash price of \$237 million. Scitex Digital Printing was to operate under the name of Kodak Versamark Inc.

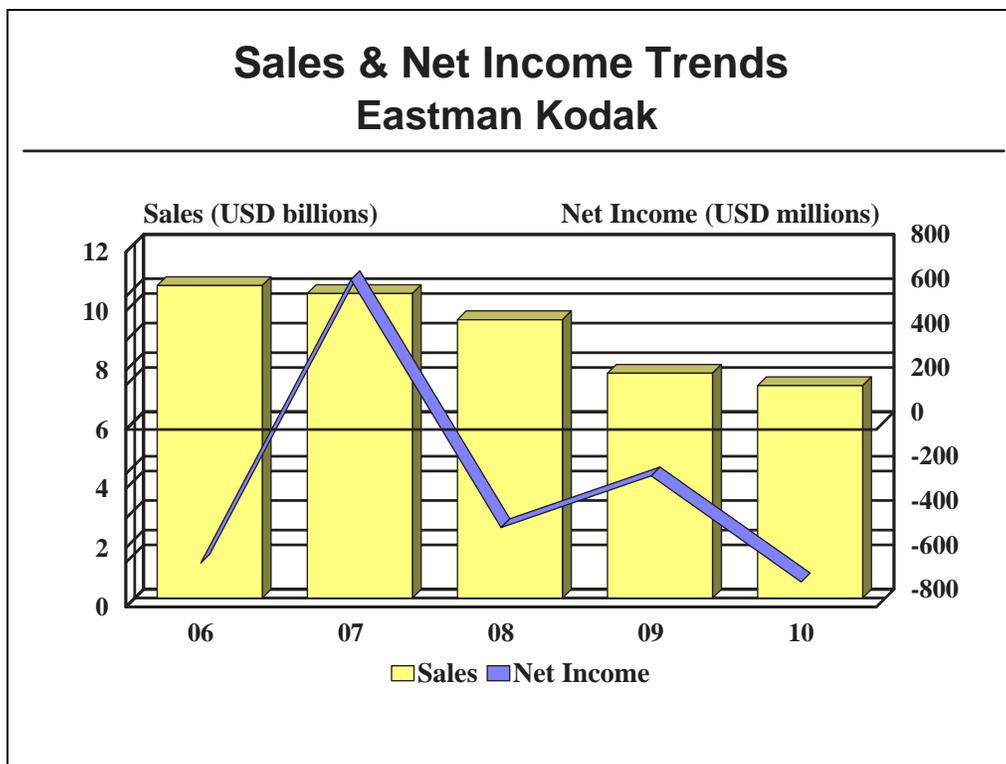
### **Teaming/Competition/Joint Ventures**

In the past two years, Kodak has not announced any aerospace- or defense-related teamings, competitions, or joint ventures.

## Financial Results/Corporate Statistics

Kodak posted 2010 sales of \$7.2 billion, down 5.5 percent from 2009 sales of \$7.6 billion. The company posted a loss of \$687 million for 2010 compared to a loss of \$209 million in 2009. The loss for 2010 primarily reflects a \$626 million charge related to the write-down in value of its Film, Photofinishing and Entertainment Group segment. The losses for 2009-2008 were attributed to restructuring costs initiated due to dramatic declines in several of Kodak's key businesses because of the slowdown in consumer spending and significantly reduced demand for capital equipment. The loss for 2005 stemmed largely from \$1.1 billion in non-cash charges to account for tax valuation allowances in the U.S. In addition, accelerated restructuring efforts also contributed to the decline. Figures have been restated to conform to the company's current presentation.

| Y/E December 31  | 2005   | 2006   | 2007   | 2008  | 2009  | 2010  |
|------------------|--------|--------|--------|-------|-------|-------|
| (USD millions)   |        |        |        |       |       |       |
| Net Sales        | 11,395 | 10,568 | 10,301 | 9,416 | 7,606 | 7,187 |
| Net Income       | -1,362 | -601   | 676    | -442  | -209  | -687  |
| R&D Expenditures | 739    | 596    | 525    | 478   | 356   | 321   |



#### Industry Segments

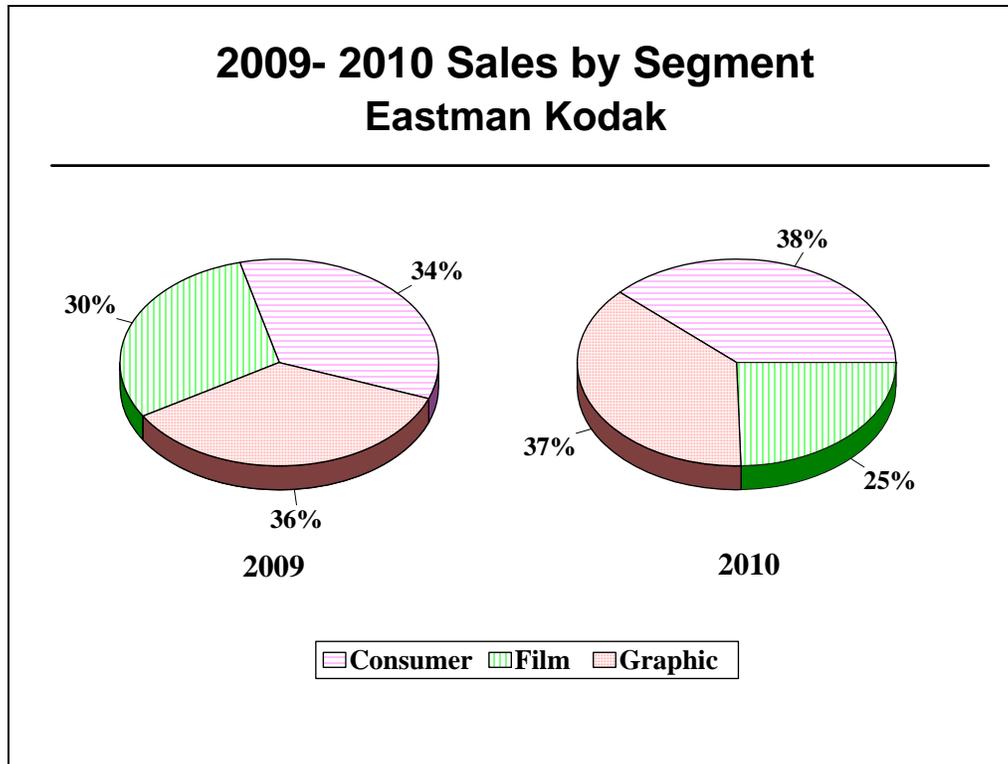
Sales for the company's individual business segments are shown below.

| <b>SALES</b>             | <b>2006</b>   | <b>2007</b>   | <b>2008</b>  | <b>2009</b>  | <b>2010</b>  |
|--------------------------|---------------|---------------|--------------|--------------|--------------|
| (USD millions)           |               |               |              |              |              |
| Consumer Digital Imaging | 3,013         | 3,247         | 3,088        | 2,619        | 2,739        |
| Film Products            | 4,254         | 3,632         | 2,987        | 2,257        | 2,681        |
| Graphic Communication    | 3,287         | 3,413         | 3,334        | 2,726        | 1,767        |
| Other                    | 14            | 9             | 7            | 4            | 0            |
| <b>TOTAL</b>             | <b>10,568</b> | <b>10,301</b> | <b>9,416</b> | <b>7,606</b> | <b>7,187</b> |

| <b>OPERATING INCOME</b>  | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| (USD millions)           |             |             |             |             |             |
| Consumer Digital Imaging | -206        | -17         | -177        | 35          | 331         |
| Film Products            | 319         | 281         | 196         | 159         | 64          |
| Graphic Communication    | 70          | 104         | 31          | -42         | -26         |
| Other                    | -22         | -25         | -17         | -13         | 0           |
| <b>TOTAL</b>             | <b>161</b>  | <b>343</b>  | <b>33</b>   | <b>139</b>  | <b>369</b>  |

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## Strategic Outlook

In the defense industry, Kodak is primarily a subcontractor providing equipment and instruments for military surveillance, detection, and targeting applications. It has a leading-edge technology advantage in several areas associated with cameras and imaging requirements. Overall, the defense business at Kodak generates perhaps a percentage point of the company's total revenue; thus, some ups and downs in the business do not materially affect the company's bottom line.

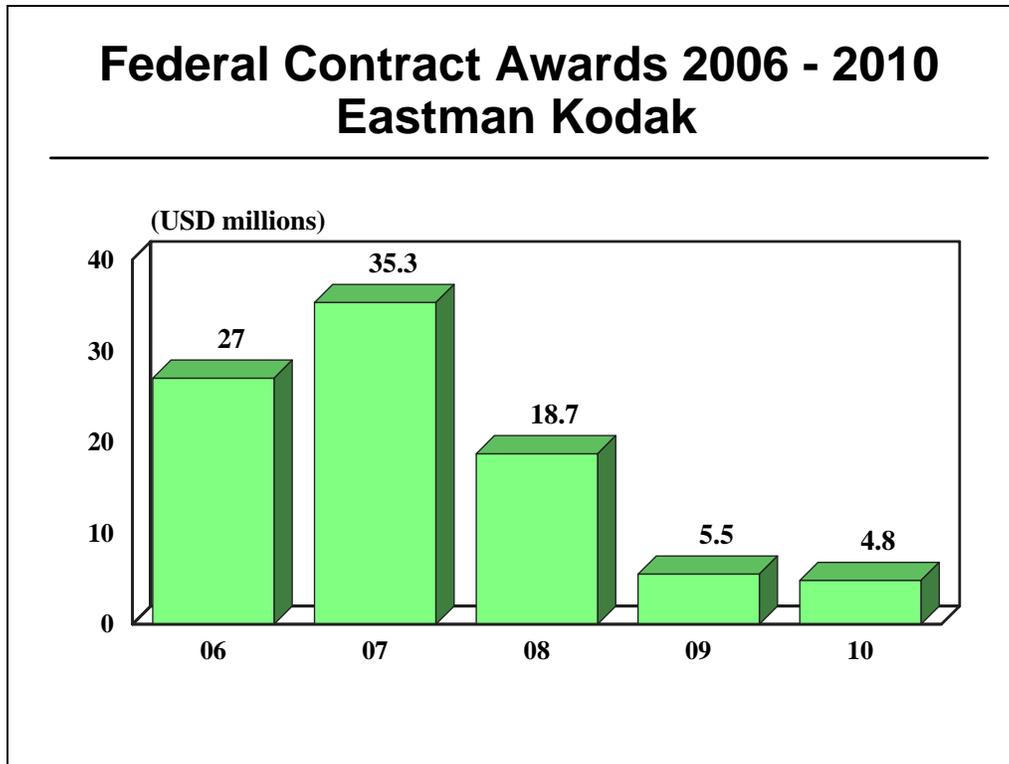
Overall, the company has few credentials other than the technology to improve its defense and aerospace base. Because most of its products are components and

assemblies and are black-box-oriented as opposed to major system applications, Kodak is subject to the "buy" decisions of the prime contractors. Here, the company's excellent position and reputation prompts most prime contractors to buy Kodak products rather than make them internally. However, this business posture is not well suited to growth or gaining larger value-added positions in military systems programs. For this reason, it is believed that Kodak will continue to maintain a consistent level of military sales generally associated with C<sup>4</sup>I requirements rather than with the weapons business.

## Prime Award Summary

The following chart and table show the dollar volume of federal prime contract awards and its rank (if applicable) among the top 100 recipients of federal contract awards for 2006 through 2010. For more information, refer to Appendix I, "Recipients of Federal Contract Awards."

| <b>Eastman Kodak</b><br>(USD millions) | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Rank                                   | —           | —           | —           | —           | —           |
| <b>Total Federal Awards</b>            | <b>27.0</b> | <b>35.3</b> | <b>18.7</b> | <b>5.5</b>  | <b>4.8</b>  |



Source: <http://www.usaspending.gov>

## Program Activity

Some important aerospace and government programs currently under way at Kodak are listed below. The briefs are intended to provide a listing of programs of major importance to the company. For detailed information or analysis of specific aerospace and defense programs or equipment, please refer to the appropriate Forecast International binder (for example, *Civil Aircraft, Military Aircraft, Military Vehicles, Warships, Missiles, Electronic Systems, and Aviation Gas Turbines*). The following are the company's business interests:

- Sensors
- Space Systems

### Electronics Programs

#### Global Hawk Integrated Sensor Suite (ISS)

The Global Hawk Integrated Sensor Suite (ISS) combines a SAR/MTI radar, third-generation IR sensor, and digital CCD camera into a high-altitude, long-endurance, all-weather battlefield surveillance capability that can provide commanders with near-real time situational awareness, targeting, and bomb damage assessment information. An advanced SIGINT package

is being developed. The Global Hawk EO system incorporates a third-generation IR sensor and Kodak digital CCD visible light camera. These provide an image quality that enables users to distinguish types of vehicles, aircraft, and missiles, and to determine other information not available from any single sensor.

### Space System Programs

#### Chandra X-ray Observatory

The Chandra X-ray Observatory is a long-duration, scientific telescope platform. Constellation-X is a follow-on to the Chandra X-ray Observatory program. Kodak had responsibility for the X-ray telescope and high-resolution mirror assembly portion of the program. The first AXAF satellite was launched aboard the Space Shuttle in 1999.

#### Hubble Space Telescope

Kodak made the backup mirror for Hubble. Kodak's mirror was not the device launched and is not currently operational in Hubble.

#### James Webb Space Telescope (JWST)

The James Webb Space Telescope (JWST), formerly the Next Generation Space Telescope (NGST), is a

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follow-on to the Hubble Space Telescope. The JWST is expected to provide a light-gathering capability nearly 1,000 times more sensitive than that of any existing ground-based telescope. Northrop Grumman is the prime on the project, for which Kodak is providing optical telescope integration and testing services. The JWST is slated for launch no earlier than 2014.

## U.S. Contract Awards

No major contracts were awarded to Kodak from the United States government in the past seven years.

| <b>Date</b> | <b>Award<br/>(USD millions)</b> | <b>Contract #</b> | <b>Description</b>   |
|-------------|---------------------------------|-------------------|--|
| 9/12/00     | 50.0                            | SP0200-96-D-8075  | X-ray systems, subsystems, or components.  |
| 2/12/02     | 5.0                             | SP0200-02-D-8323  | Imaging systems for U.S. military and federal civilian agencies.   |
| 10/5/04     | 25.0                            | SP0200-04-D-8309  | Digital Imaging Network – Picture archive and communication systems for the U.S. Army, Navy, and Marine Corps; Federal Civilian Agencies; and the Veterans Administration. |

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