

Fourth Quarter 2015 Earnings Call

March 15, 2016

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AGENDA

- **Introduction**
- **CEO Perspective on 2015 and FY 2016 Guidance**
- **2015 Fourth Quarter Results and Financial Review**
- **Concluding Remarks and Q&A**

David Bullwinkle, Director, Global Financial Planning & Analysis and Investor Relations

Jeff Clarke, Chief Executive Officer

John McMullen, Chief Financial Officer

Jeff Clarke, John McMullen

- **Welcome**
- **Operational Results Review**
- **2016 Guidance**



CEO PERSPECTIVE

Key Messages



- Significant progress has been made in the Kodak transformation
- Strong 2015 operating performance with \$122 million of Operational EBITDA
 - Exceeded Full Year Operational EBITDA guidance of \$100 million to \$120 million
 - Operating expense year over year improvement of \$107 million
- Quality of Earnings/Growth Profile has improved meaningfully
 - Growth businesses have grown from 16% in full year 2014 to 22% of Kodak revenues in full year 2015
 - Year over year Operational EBITDA growth in all divisions with the exception of CFD due to the continued, expected decline in Consumer Inkjet



Growth Engines 2015 Performance

(\$ millions)

	2014		2015		B/(W)		Constant Currency B/(W)	
	Revenues	% of Total	Revenues	% of Total	\$\$	%	\$\$	%
Sonora/Sustainable Plates	91	4%	120	7%	29	32%	40	44%
Flexcel (Equipment and Plates)	78	4%	87	5%	9	12%	19	24%
Prosper (Equipment, Consumables, Service)	60	3%	81	5%	21	35%	24	40%
Software & Solutions (UWS and KTS)	108	5%	112	6%	4	4%	13	12%
Micro 3D Printing	-	0%	1	0%	1	n/a	1	n/a
Total Growth Engines	337	16%	401	22%	64	19%	97	29%
All Other	1,779	84%	1,397	78%	(382)	-21%	(233)	-13%
Total Revenues	2,116		1,798		(318)	-15%	(136)	-6%

Note: Refer to Page 23, footnote 1 of this presentation for the explanation on the calculation for constant currency.



Growth Engines and Product Mix 2015 vs 2014

(\$ millions)

	2014		2015		B/(W)		Constant Currency B/(W)	
	Revenues	% of Total	Revenues	% of Total	\$\$	%	\$\$	%
Growth Engines	\$ 277	13%	\$ 321	18%	\$ 44	16%	\$ 73	26%
Strategic Other Businesses	1,393	66%	1,177	65%	(216)	-16%	(84)	-6%
Subtotal	1,670	79%	1,498	83%	(172)	-10%	(11)	-1%
Planned Declining Businesses	316	15%	219	12%	(97)	-31%	(79)	-25%
Non-Recurring Businesses	130	6%	81	5%	(49)	-38%	(46)	-35%
Subtotal	446	21%	300	17%	(146)	-33%	(125)	-28%
Total Revenues	\$ 2,116		\$ 1,798		\$ (318)	-15%	\$ (136)	-6%

Growth Engines include Sonora, FLEXCEL NX, Software and Solutions and Micro 3D Printing.

Strategic Other Businesses include plates, CTP and Service in PSD, Nexpress and related Toner Business in PSD, Entertainment & Commercial Film in CFD, Consumer Products Licensing in CFD, Eastman Business Park and IP Licensing.

Planned Declining Businesses Planned Declining Businesses are product lines where we have made the decision to stop new product development and to manage an orderly expected decline in the installed product and annuity base. These product families include Consumer inject in CFD, Versamark in EISD and Digimaster in PSD.

Non-Recurring Businesses include PROSPER and the \$70 million non-recurring IP license recognized in 2014.

Note: Refer to Page 23, footnote 1 of this presentation for the explanation on the calculation for constant currency.



Operational EBITDA Performance vs Guidance

Operational EBITDA Improvement	
(\$ in millions)	Full Year Guidance
2015	\$100 - \$120
2014	\$158
Year over year change (\$)	\$(58) to \$(38)
Foreign Exchange Impact	21
FY 2014 Non Recurring Brand and IP Licensing Revenue	70
Year over year improvement on a comparable basis (\$)	\$33 to \$53
Year over year improvement on a comparable basis (%)	50% to 80%

Full Year 2015 Actual Operational EBITDA of \$122 million despite \$5 million negative impact from foreign exchange (\$21 million planned, \$26 million actual)

Note: Operational EBITDA is equivalent to "Segment Operational EBITDA" as presented in Note 23. Segment Information of Kodak's Financial Statement included in its Form 10-K.



FY 2015 Financial Summary by Division

(\$ millions)

FY 2015 Actuals	PSD	EISD	MPPD	SSD	CFD	IPSD	EBPD	Total EK
Revenue	\$ 1,106	\$ 173	\$ 128	\$ 112	\$ 265	\$ 1	\$ 13	\$ 1,798
Operational EBITDA b/f corp costs	147	(16)	16	16	63	(22)	3	207
Corporate SGA	49	10	7	7	11	-	1	85
Operational EBITDA	98	(26)	9	9	52	(22)	2	122

FY 2014 Actuals	PSD	EISD	MPPD	SSD	CFD	IPSD*	EBPD	Total EK
Revenue	\$ 1,257	\$ 185	\$ 130	\$ 108	\$ 352	\$ -	\$ 14	\$ 2,046
Operational EBITDA b/f corp costs	161	(30)	7	11	85	(30)	2	206
Corporate SGA	68	14	8	8	19	-	1	118
Operational EBITDA	93	(44)	(1)	3	66	(30)	1	88

YTD Actuals vs. FY 2014 Actuals B/(W)	PSD	EISD	MPPD	SSD	CFD	IPSD*	EBPD	Total EK
Revenue	\$ (151)	\$ (12)	\$ (2)	\$ 4	\$ (87)	\$ 1	\$ (1)	\$ (248)
Operational EBITDA b/f corp costs	(14)	14	9	5	(22)	8	1	1
Corporate SGA	19	4	1	1	8	-	-	33
Operational EBITDA	5	18	10	6	(14)	8	1	34

FY 2015 Actuals on constant currency vs. FY 2014 Actuals B/(W)	PSD	EISD	MPPD	SSD	CFD	IPSD*	EBPD	Total EK
Revenue	\$ (44)	\$ 2	\$ 12	\$ 13	\$ (81)	\$ 1	\$ (1)	\$ (98)
Operational EBITDA b/f corp costs	(3)	19	13	8	(17)	8	1	29
Corporate SGA	17	4	1	1	8	-	-	31
Operational EBITDA	14	23	14	9	(9)	8	1	60

PSD: Print Systems Division EISD: Enterprise Inkjet Solutions Division MPPD: Micro 3D Printing & Packaging
SSD: Software & Solutions Division CFD: Consumer & Film Division IPSD: IP Solutions
EBPD: Eastman Business Park Division

Note: 2014 financial results exclude \$70M non-recurring IP licensing revenues. Operational EBITDA is equivalent to "Segment Operational EBITDA" as presented in Note 23. Segment Information of Kodak's Financial Statement included in its Form 10-K. Refer to Page 23, footnote 1 of this presentation for the explanation on the calculation for constant currency.



2016 Guidance

(\$ millions)	2015 Full Year Actual	2016 Full Year Guidance
Revenue	\$ 1,798	\$1,500 - \$1,700
Operational EBITDA	\$ 122	\$130 - \$150

Full Year 2015 Operational EBITDA	\$122
Impact of Foreign Exchange 2016 vs. 2015	(6)
Baseline 2015 Operational EBITDA	\$116
2016 Projected Operational EBITDA	\$130 - \$150
2016 Projected Operational EBITDA Improvement on a Comparable Basis	12% to 29%





FINANCIAL OVERVIEW

- **Fourth Quarter Financial Results**
- **Cost Reduction Update**
- **2015 Fourth Quarter Cash Flow**

2015 4TH Quarter Results by Division

(\$ millions)

Q4 2015 Actuals	PSD	EISD	MPPD	SSD	CFD	IPSD	EBPD	Total EK
Revenue	\$ 292	\$ 50	\$ 31	\$ 27	\$ 63	\$ 1	\$ 3	\$ 467
Operational EBITDA b/f corp costs	48	(2)	2	5	17	(4)	1	67
Corporate SGA	<u>11</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>19</u>
Operational EBITDA	37	(4)	-	4	14	(4)	1	48

Q4 2014 Actuals	PSD	EISD	MPPD	SSD	CFD	IPSD	EBPD	Total EK
Revenue	\$ 329	\$ 47	\$ 36	\$ 30	\$ 87	\$ -	\$ 3	\$ 532
Operational EBITDA b/f corp costs	45	(5)	2	5	21	(6)	1	63
Corporate SGA	<u>15</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>26</u>
Operational EBITDA	30	(8)	-	3	17	(6)	1	37

Q4 2015 Actuals vs. Q4 2014 Actuals B/(W)	PSD	EISD	MPPD	SSD	CFD	IPSD	EBPD	Total EK
Revenue	\$ (37)	\$ 3	\$ (5)	\$ (3)	\$ (24)	\$ 1	\$ -	\$ (65)
Operational EBITDA b/f corp costs	3	3	-	-	(4)	2	-	4
Corporate SGA	<u>4</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>7</u>
Operational EBITDA	7	4	-	1	(3)	2	-	11

Q4 2015 Actuals on constant currency vs. Q4 2014 Actuals B/(W)	PSD	EISD	MPPD	SSD	CFD	IPSD	EBPD	Total EK
Revenue	\$ (15)	\$ 5	\$ (2)	\$ (1)	\$ (23)	\$ 1	\$ -	\$ (35)
Operational EBITDA	9	5	2	1	(2)	2	-	17

PSD: Print Systems Division

EISD: Enterprise Inkjet Solutions Division

MPPD: Micro 3D Printing & Packaging

SSD: Software & Solutions Division

CFD: Consumer & Film Division

IPSD: IP Solutions

EBPD: Eastman Business Park Division

Note: Operational EBITDA is equivalent to "Segment Operational EBITDA" as presented in Note 23. Segment Information of Kodak's Financial Statement included in its Form 10-K. Refer to Page 23, footnote 1 of this presentation for the explanation on the calculation for constant currency.



Cost Reduction Update

Year over Year Operating Expense Reductions

(\$ millions)	Year Ended December 31, 2014	Year Ended December 31, 2015	Year over Year Change (%)	FY Reduction
Headcount	7,246	6,348	-12%	(898)
Operating Expense:				
- SG&A	\$ 329	\$ 250	-24%	\$ (79)
- R&D	108	80	-26%	(28)
Total	\$ 437	\$ 330	-24%	\$ (107)

Drivers of Change:

Reduction in Headcount year over year by approximately 12%

Reduction in Benefits expense effective January 1, 2015 of approximately \$20M

Streamlining and simplification of processes



2015 Q4 Cash Flow

2015 Q4 Cash Flow

(\$ millions)	Quarter Ended December 31, 2015
Cash Balance	\$ 547
Primary drivers of cash:	
Operational EBITDA	48
Cash provided by Working Capital	63
- Interest and Debt Payments	(17)
- Capital Expenditures (direct)	(13)
- Commercial Capital	(10)
- Restructuring Payments	(12)
- Restricted Cash	(5)
- Cash Income Taxes	(5)
- Foreign Exchange Impact	(4)
- Payroll Timing	(4)
- Workers' Compensation	(2)





CONCLUDING REMARKS



Q&A



APPENDIX

Non-GAAP Measures

In this fourth quarter and full year 2015 earnings presentation, reference is made to the following non-GAAP financial measures:

- Operational EBITDA,
- Operational EBITDA excluding non-recurring intellectual property revenues
- Improvement in Operating Expenses (Operational Selling, General and Administrative (“SG&A”) expenses and Operational Research and Development (“R&D”) expenses), and
- Prosper annuity growth on a constant currency basis.

The Company believes that these non-GAAP measures represent important internal measures of performance as used by the Company’s management. Accordingly, where they are provided, it is to give investors the same financial data management uses with the belief that this information will assist the investment community in properly assessing the underlying performance of the Company, its financial condition, results of operations and cash flow.

The reconciliations on the following pages are provided with respect to terms used in this presentation.

The Company’s segment measure of profit and loss is an adjusted earnings before interest, taxes, depreciation and amortization (“Operational EBITDA”).



Non-GAAP Measures

The following table reconciles Operational EBITDA to the most directly comparable GAAP measure of Net Loss attributable to Eastman Kodak Company for the twelve months ended December 31, 2015:

(in millions)

	FY 2015
Operational EBITDA, as presented	\$ 122
All other	5
Depreciation and amortization	(145)
Corporate components of pension and OPEB income (2)	133
Restructuring costs and other	(38)
Stock-based compensation	(18)
Change in U.S. vacation benefits (3)	17
Consulting and other costs (4)	(13)
Idle Costs (5)	(3)
Costs previously allocated to discontinued operations	(1)
Other operating expense, net excluding gain related to Unipixel termination (6)	(5)
Interest expense	(63)
Other charges, net	(21)
Reorganization items, net	(5)
Loss from continuing operations before income taxes	(35)
Provision for income taxes	32
Loss from continuing operations	(67)
(Loss) earnings from discontinued operations, net of income taxes	(8)
Net loss	(75)
Less: Net income attributable to noncontrolling interests	5
Net loss attributable to Eastman Kodak Company (GAAP basis)	\$ (80)



Non-GAAP Measures

The following table reconciles Operational EBITDA and Operational EBITDA excluding non-recurring intellectual property revenues to the most directly comparable GAAP measure of Net Loss attributable to Eastman Kodak Company for the twelve months ended December 31, 2014 respectively:

(in millions)

	FY 2014
Operational EBITDA excluding non-recurring intellectual property revenues, as presented	\$ 88
Non-recurring intellectual property revenues	70
Operational EBITDA, as presented	\$ 158
All other	5
Depreciation and amortization	(199)
Corporate components of pension and OPEB income (2)	110
Restructuring costs and other	(59)
Stock-based compensation	(8)
Change in U.S. vacation benefits (3)	-
Consulting and other costs (4)	(6)
Idle Costs (5)	(4)
Costs previously allocated to discontinued operations	(4)
Other operating expense, net excluding gain related to Unipixel termination (6)	(9)
Interest expense	(62)
Other charges, net	(21)
Reorganization items, net	(13)
Loss from continuing operations before income taxes	(112)
Provision for income taxes	10
Loss from continuing operations	(122)
Earnings from discontinued operations, net of income taxes	4
Net loss	(118)
Less: Net income attributable to noncontrolling interests	5
Net Loss attributable to Eastman Kodak Company (GAAP basis)	\$ (123)



Non-GAAP Measures

The following tables reconcile the improvement in Operational SG&A and Operational R&D expenses from the prior year period to the most directly comparable GAAP measure of SG&A and R&D, respectively, for the twelve months ended December 31, 2015 and 2014, respectively:

(in millions)

	FY 2015	FY 2014	\$ Change	% Change
Operational SG&A	\$ 250	\$ 329	\$ (79)	-24%
Operational R&D	80	108	(28)	-26%
Total Operating Expenses	\$ 330	\$ 437	\$ (107)	-24%

(in millions)

	FY 2015	FY 2014	\$ Change	% Change
Operational SG&A	\$ 250	\$ 329	\$ (79)	-24%
Corporate components of pension and OPEB income (2)	(46)	(34)	(12)	35%
Impact of stock based compensation	12	3	9	300%
Change in U.S. vacation benefits (3)	(6)	-	(6)	n/a
Impact of consulting and other costs (4)	13	6	7	117%
Idle costs (5)	2	2	-	0%
Impact of costs previously allocated to discontinued operations	1	4	(3)	-75%
Selling, General and Administrative costs (GAAP basis)	\$ 226	\$ 310	\$ (84)	-27%

	FY 2015	FY 2014	\$ Change	% Change
Operational R&D	\$ 80	\$ 108	\$ (28)	-26%
Corporate components of pension and OPEB income (2)	(18)	(15)	(3)	20%
Impact of stock based compensation	2	1	1	100%
Change in U.S. vacation benefits (3)	(3)	-	(3)	n/a
Research and Development Costs (GAAP basis)	\$ 61	\$ 94	\$ (33)	-35%

Refer to Page 23 of this presentation for footnote explanations.



Non-GAAP Measures

The following table reconciles Prosper annuity growth on a constant currency basis to the most directly comparable GAAP measure of Total Revenues for the twelve months ended December 31, 2015 and 2014, respectively:

(in millions)

	FY 2015	FY 2014	\$ Change	% Change
Prosper annuity revenues on a constant currency basis	\$ 37	\$ 29	\$ 8	28%
Impact of foreign exchange (1)	(2)	-	(2)	
Prosper annuity revenues as reported (GAAP Basis)	\$ 35	\$ 29	\$ 6	21%



Non-GAAP Measures

The following are explanations to the footnotes contained within the Non-GAAP reconciliations:

- (1) The impact of foreign exchange represents the 2015 foreign exchange impact using average foreign exchange rates for 2014 rather than the actual exchange rates in effect for the respective period in 2015.
- (2) Composed of interest cost, expected return on plan assets, amortization of actuarial gains and losses, and curtailments and settlement components of pension and other postretirement benefit expenses.
- (3) In the fourth quarter of 2015, Kodak changed the timing of when U.S. employees earn their vacation benefits which reduced the related accrual as of December 31, 2015.
- (4) Consulting and other costs are primarily related to professional services provided for corporate strategic initiatives in the current year periods. The prior year periods primarily represent the cost of AlixPartners filling interim executive positions which are not captured within “Reorganization items, net” as well as consulting services provided by former executives during transitional periods.
- (5) Consists of third party costs such as security, maintenance, and utilities required to maintain land and buildings in certain locations not used in any Kodak operations.
- (6) In 2015 a \$3 million gain was recognized related to assets that were acquired for no monetary consideration as a part of the termination of the relationship with UniPixel. The gain was reported in Other operating income (expense), net in the Consolidated Statement of Operations. Other operating income (expense), net is typically excluded from the segment measure. However, this particular gain was included in the Micro 3D Printing and Packaging segment’s earnings in 2015.





George Eastman

Kodak

