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

FORM 10-Q

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

For the quarterly period ended June 30, 2020
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 1-00087

EASTMAN KODAK COMPANY
(Exact name of registrant as specified in its charter)

NEW JERSEY	**16-0417150**
(State of incorporation)	**(IRS Employer Identification No.)**
343 STATE STREET, ROCHESTER, NEW YORK	**14650**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common Common stock, par value $0.01 per share	KODK	New York Stock Exchange

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 (or for such shorter period that the registrant was required to file such reports), 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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company" and "emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 3, 2020, the registrant had 75,684,110 shares of common stock, par value $0.01 per share, outstanding.

EASTMAN KODAK COMPANY
Form 10-Q

June 30, 2020

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Sales	$ 163	$ 240	$ 373	$ 464
Services	50	67	107	134
Total revenues	213	307	480	598
Cost of revenues				
Sales	159	218	350	423
Services	33	47	73	93
Total cost of revenues	192	265	423	516
Gross profit	21	42	57	82
Selling, general and administrative expenses	34	54	82	113
Research and development costs	8	11	17	22
Restructuring costs and other	1	2	8	4
Other operating income, net	(3)	—	(10)	—
Loss from continuing operations before interest expense, pension income excluding service cost component, other charges (income), net and income taxes	(19)	(25)	(40)	(57)
Interest expense	4	5	8	8
Pension income excluding service cost component	(27)	(26)	(53)	(53)
Other charges (income), net	8	—	(45)	1
(Loss) income from continuing operations before income taxes	(4)	(4)	50	(13)
Provision for income taxes	1	2	166	5
Loss from continuing operations	(5)	(6)	(116)	(18)
Income from discontinued operations, net of income taxes	—	207	—	201
Net (loss) income	$ (5)	$ 201	$ (116)	$ 183
Basic and diluted (loss) income per share attributable to Eastman Kodak Company common shareholders:				
Continuing operations	$ (0.23)	$ (0.25)	$ (2.88)	$ (0.65)
Discontinued operations	—	4.81	—	4.67
Total	$ (0.23)	$ 4.56	$ (2.88)	$ 4.02
Number of common shares used in basic and diluted net loss per share	43.7	43.0	43.7	43.0

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

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

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
NET (LOSS) INCOME	$ (5)	$ 201	$ (116)	$ 183
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	(4)	1	(16)	4
Pension and other postretirement benefit plan obligation activity, net of tax	9	—	12	(1)
Other comprehensive income (loss), net of tax	5	1	(4)	3
COMPREHENSIVE INCOME (LOSS), NET OF TAX	$ —	$ 202	$ (120)	$ 186

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

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

(in millions)	June 30, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 180	$ 233
Trade receivables, net of allowances of $12 and $8, respectively	140	208
Inventories, net	228	215
Restricted cash - current portion	7	12
Other current assets	32	36
Current assets held for sale	2	2
Total current assets	589	706
Property, plant and equipment, net of accumulated depreciation of $418 and $423, respectively	157	181
Goodwill	12	12
Intangible assets, net	41	47
Operating lease right-of-use assets	51	49
Restricted cash	25	45
Deferred income taxes	—	147
Other long-term assets	285	228
TOTAL ASSETS	**$ 1,160**	**$ 1,415**
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND EQUITY (DEFICIT)		
Accounts payable, trade	$ 101	$ 153
Short-term borrowings and current portion of long-term debt	2	2
Current portion of operating leases	11	12
Other current liabilities	161	201
Total current liabilities	275	368
Long-term debt, net of current portion	113	109
Pension and other postretirement liabilities	368	378
Operating leases, net of current portion	51	48
Other long-term liabilities	197	231
Total liabilities	1,004	1,134
Commitments and Contingencies (Note 11)		
Redeemable, convertible Series A preferred stock, no par value, $100 per share liquidation preference	186	182
Equity (Deficit)		
Common stock, $0.01 par value	—	—
Additional paid in capital	595	604
Treasury stock, at cost	(9)	(9)
Accumulated deficit	(195)	(79)
Accumulated other comprehensive loss	(421)	(417)
Total shareholders' (deficit) equity	(30)	99
TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND EQUITY (DEFICIT)	**$ 1,160**	**$ 1,415**

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

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(in millions)	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash flows from operating activities:		
Net (loss) income	$ (116)	$ 183
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	20	29
Pension income	(43)	(45)
Change in fair value of embedded derivatives in the Series A Preferred Stock and Convertible Notes	(49)	(2)
Net gain on sales of assets	(9)	(209)
Asset impairments	3	—
Stock based compensation	1	5
Provision for deferred income taxes	160	4
Decrease in trade receivables	64	22
Increase in inventories	(17)	(14)
(Decrease) increase in trade payables	(50)	9
Decrease in liabilities excluding borrowings and trade payables	(31)	(5)
Other items, net	3	10
Total adjustments	52	(196)
Net cash used in operating activities	(64)	(13)
Cash flows from investing activities:		
Additions to properties	(9)	(5)
Net proceeds from sales of assets/businesses	2	302
Net proceeds from return on equity investment	2	—
Net cash (used in) provided by investing activities	(5)	297
Cash flows from financing activities:		
Repayment of Term Credit Agreement	—	(395)
Proceeds from Convertible Notes	—	98
Proceeds from borrowings	—	14
Repayment of finance leases	—	(1)
Preferred stock dividend payments	(6)	—
Payment of contingent consideration related to the sale of a business	—	(10)
Net cash used in financing activities	(6)	(294)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3)	1
Net decrease in cash, cash equivalents, restricted cash and cash in assets held for sale	(78)	(9)
Cash, cash equivalents, restricted cash and cash in assets held for sale, beginning of period	290	267
Cash, cash equivalents, restricted cash and cash in assets held for sale, end of period	$ 212	$ 258

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

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF EQUITY (DEFICIT) (Unaudited)

	Six-Month Period Ending June 30, 2020						
	Eastman Kodak Company Common Shareholders						
	Common Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total	Series A Redeemable Convertible Preferred Stock
Equity (deficit) as of December 31, 2019	$ —	$ 604	$ (79)	$ (417)	$ (9)	$ 99	$ 182
Net loss	—	—	(111)	—	—	(111)	—
Other comprehensive (loss) income (net of tax):							
Currency translation adjustments	—	—	—	(12)	—	(12)	—
Pension and other postretirement liability adjustments	—	—	—	3	—	3	—
Series A preferred stock cash dividends	—	(3)	—	—	—	(3)	—
Series A preferred stock deemed dividends	—	(2)	—	—	—	(2)	2
Stock-based compensation	—	1	—	—	—	1	—
Equity (deficit) as of March 31, 2020	$ —	$ 600	$ (190)	$ (426)	$ (9)	$ (25)	$ 184
Net loss	—	—	(5)	—	—	(5)	—
Other comprehensive (loss) income (net of tax):							
Currency translation adjustments	—	—	—	(4)	—	(4)	—
Pension and other postretirement liability adjustments	—	—	—	9	—	9	—
Series A preferred stock cash dividends	—	(3)	—	—	—	(3)	—
Series A preferred stock deemed dividends	—	(2)	—	—	—	(2)	2
Equity (deficit) as of June 30, 2020	$ —	$ 595	$ (195)	$ (421)	$ (9)	$ (30)	$ 186

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF EQUITY (DEFICIT) (Unaudited) (cont'd)

	Six-Month Period Ending June 30, 2019						
	Eastman Kodak Company Common Shareholders						
	Common Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total	Series A Redeemable Convertible Preferred Stock
Equity (deficit) as of December 31, 2018	$ —	$ 617	$ (200)	$ (411)	$ (9)	$ (3)	$ 173
Net loss	—	—	(18)	—	—	(18)	—
Other comprehensive (loss) income (net of tax):							
Currency translation adjustments	—	—	—	3	—	3	—
Pension and other postretirement liability adjustments	—	—	—	(1)	—	(1)	—
Series A preferred stock cash dividends	—	(3)	—	—	—	(3)	—
Series A preferred stock deemed dividends	—	(2)	—	—	—	(2)	2
Stock-based compensation	—	3	—	—	—	3	—
Prior period adjustment due to adoption of ASU 2016-02	—	—	5	—	—	5	—
Equity (deficit) as of March 31, 2019	$ —	$ 615	$ (213)	$ (409)	$ (9)	$ (16)	$ 175
Net income	—	—	201	—	—	201	—
Other comprehensive income (net of tax):							
Currency translation adjustments	—	—	—	1	—	1	—
Pension and other postretirement liability adjustments	—	—	—	—	—	—	—
Series A preferred stock cash dividends	—	(3)	—	—	—	(3)	—
Series A preferred stock deemed dividends	—	(2)	—	—	—	(2)	2
Stock-based compensation	—	2	—	—	—	2	—
Equity (deficit) as of June 30, 2019	$ —	$ 612	$ (12)	$ (408)	$ (9)	$ 183	$ 177

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

NOTE 1: BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

BASIS OF PRESENTATION

The consolidated interim financial statements are unaudited, and certain information and footnote disclosures related thereto normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited consolidated interim financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the results of operations, financial position and cash flows of Eastman Kodak Company ("EKC" or the "Company") and all companies directly or indirectly controlled, either through majority ownership or otherwise (collectively, "Kodak"). The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. These consolidated interim statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K").

GOING CONCERN

The consolidated interim financial statements have been prepared on the going concern basis of accounting, which assumes Kodak will continue to operate as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

As of June 30, 2020 and December 31, 2019, Kodak had approximately $180 million and $233 million, respectively, of cash and cash equivalents. $95 million and $72 million were held in the United States ("U.S.") as of June 30, 2020 and December 31, 2019, respectively, and $85 million and $161 million were held outside the U.S. Cash balances held outside the U.S. are generally required to support local country operations and 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. Outstanding inter-company loans to the U.S. as of June 30, 2020 and December 31, 2019 were $429 million and $408 million, respectively, which includes short-term intercompany loans from Kodak's international finance center of $130 million and $110 million as of June 30, 2020 and December 31, 2019, respectively. In China, where approximately $23 million and $89 million of cash and cash equivalents was held as of June 30, 2020 and December 31, 2019, respectively, there are limitations related to net asset balances that may impact the ability to make cash available to other jurisdictions in the world. On May 12, 2020, a Chinese subsidiary of Kodak transferred approximately $70 million to a U.S. subsidiary of Kodak associated with an inter-company transaction. Kodak had a net decrease in cash, cash equivalents, restricted cash and cash in assets held for sale of $78 million and $9 million for the six months ended June 30, 2020 and 2019, respectively, and a net increase in cash, cash equivalents, restricted cash and cash in assets held for sale of $23 million for the year ended December 31, 2019. Kodak used cash of $64 million and $13 million in operating activities for the six months ended June 30, 2020 and 2019, respectively, and generated cash from operating activities for the year ended December 31, 2019 of $12 million. Cash flow from operations in 2019 benefitted from working capital improvements and individual transactions that occurred during the year.

U.S. GAAP requires an evaluation of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued. Initially, this evaluation does not consider the potential mitigating effect of management's plans that have not been fully implemented. When substantial doubt exists, management evaluates the mitigating effect of its plans if it is probable that (1) the plans will be effectively implemented within one year after the date the financial statements are issued, and (2) when implemented, the plans will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued or prior to the conditions or events that create the going concern risk.

Kodak is facing liquidity challenges due to operating losses, low or negative cash flow from operations and collateral needs. Kodak has $80 million of letters of credit issued under the Amended and Restated Credit Agreement (the "ABL Credit Agreement") which matures on May 26, 2021. The Company's 5.50% Series A Convertible Preferred Stock (the "Series A Preferred Stock") must be redeemed on November 15, 2021 if not converted prior to then. Additionally, Kodak has significant cash requirements to fund ongoing operations, restructuring programs, pension and other postretirement obligations, and other obligations. Kodak's plans to return to sustainable positive cash flow include growing revenues profitably, reducing operating expenses, continuing to simplify the organizational structure, generating cash from selling and leasing underutilized assets and paring investment in new technology by eliminating or delaying product development programs as needed. Additionally, the Company looks to implement ways to reduce collateral needs in the U.S.

Kodak's products are sold and serviced in numerous countries across the globe with more than half of sales generated outside the United States. Current global economic conditions are highly volatile due to the COVID-19 pandemic, resulting in market size contractions in many countries due to economic slowdowns and government restrictions on movement. The economic uncertainties surrounding the COVID-19 pandemic are adding complexity to Kodak's plans to return to sustainable positive cash flow. To mitigate the economic impacts of the pandemic Kodak is employing temporary furloughs and pay reductions and scaling manufacturing volumes due to expectations of reduced demand.

The recent history of negative operating cash flow, maturity of the ABL Credit Agreement in 2021, redemption date in 2021 for the Series A Preferred Stock, increased challenges in managing cash during the COVID-19 pandemic and general lack of certainty regarding the return to positive cash flow raise substantial doubt about Kodak's ability to continue as a going concern.

SUBSEQUENT EVENTS

On July 29, 2020, the Company received conversion notices from holders of the Company's 5.00% Secured Convertible Notes due 2021 (the "Notes") exercising their rights to convert an aggregate of $95 million of principal amount of the Notes (the "Converted Notes") into shares of the Company's common stock, par value $.01 per share ("Common Stock"). Under the terms of the Notes, the conversion date of the Converted Notes is July 29, 2020 (the "Conversion Date") and the Company was obligated to deliver an aggregate of 29,922,956 shares of Common Stock (the "Conversion Shares") to the holders of the Converted Notes within five trading days after the Conversion Date. The Company issued the Conversion Shares on August 3, 2020 and has paid the $5.6 million of accumulated interest on the Converted Notes in cash. As a result, the Company's obligations under the Converted Notes were fully discharged and the remaining outstanding principal amount of the Notes is $5 million.

The Company issued stock-based compensation grants for 2.4 million stock options on July 27, 2020. The terms of 1.8 million of the options awarded on July 27, 2020 provide for immediate vesting or vesting upon conversion of the Notes. The terms of 0.6 million of those options provide for vesting terms of between two and three years. As 95% of the Notes were converted on August 3, 2020, 1.7 million of the 1.8 million options with the accelerated vesting terms (all the options which vested immediately and 95% of the of the options that vested upon conversion of the Notes) vested by August 3, 2020. The valuation of the stock options granted on July 27, 2020 could result in material compensation expense being recognized in the three months ended September 30, 2020.

RECLASSIFICATIONS

Certain amounts for prior periods have been reclassified to conform to the current period classification due to Kodak's new organization structure as of January 2020. Refer to Note 22, "Segment Information" for additional information.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In November 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606. This guidance amended Topic 808 and Topic 606 to clarify that transactions in a collaborative arrangement should be accounted for under Topic 606 when the counterparty is a customer for a distinct good or service (i.e., unit of account). The amendments preclude an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The new standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019 (January 1, 2020 for Kodak). The amendments should be applied retrospectively to the date of initial application of Topic 606. Kodak adopted this ASU on January 1, 2020, and it did not have any impact on Kodak's consolidated financial statements.

In September 2018 the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which amends the disclosure requirements in Topic 820 by adding, changing, or removing certain disclosures about recurring or nonrecurring fair value measurements. The additional and/or modified disclosures relate primarily to Level 3 fair value measurements while removing certain disclosures related to transfers between Level 1 and Level 2 of the fair value hierarchy. The ASU is effective retrospectively, for fiscal years beginning after December 15, 2019 (January 1, 2020 for Kodak) and interim periods within those fiscal years. Entities are permitted to early adopt any removed or modified disclosures but can delay adoption of the new disclosures until their effective date. Kodak retrospectively early adopted the provisions of the ASU that removed or modified disclosures in the fourth quarter of 2018 and prospectively adopted the provisions related to new disclosures January 1, 2020. The standard addresses disclosures only and did not have an impact on Kodak's consolidated financial statements.

In September 2018, the FASB issued ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans, which amends the disclosure requirements in ASC 715-20 by adding, clarifying, or removing certain disclosures. ASU 2018-14 requires all entities to disclose (1) the weighted average interest crediting rates for cash balance plans and other plans with promised interest crediting rates, and (2) an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The ASU also clarifies certain disclosure requirements for entities with two or more defined benefit pension plans when aggregate disclosures are presented. The ASU removes other disclosures from the existing guidance, such as the requirement to disclose the effects of a one-percentage-point change in the assumed health care cost trend rates. The ASU is effective retrospectively for fiscal years ending after December 15, 2020 (the year ended December 31, 2020 for Kodak). Kodak adopted this ASU on January 1, 2020. The standard addresses disclosures only and did not have an impact on Kodak's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which addresses how a customer should account for the costs of implementing a cloud computing service arrangement (also referred to as a "hosting arrangement"). Under ASU 2018-15, entities should account for costs associated with implementing a cloud computing arrangement that is considered a service contract in the same way as implementation costs associated with a software license; implementation costs incurred in the application development stage, such as costs for the cloud computing arrangement's integration with on-premise software, coding, and configuration or customization, should be capitalized and amortized over the term of the cloud computing arrangement, including periods covered by certain renewal options. The ASU is effective in fiscal years beginning after December 15, 2019 (January 1, 2020 for Kodak) including interim periods within those fiscal years. The ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Kodak adopted this ASU prospectively on January 1, 2020, and it did not have any impact on Kodak's consolidated financial statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" which provides optional relief through specific exceptions and practical expedients for transitioning away from reference rates that are expected to be discontinued. The relief generally applies to eligible modifications of contractual terms that change (or have the potential to change) the amount or timing of contractual cash flows related to replacement of a reference rate. The relief allows such modifications to be accounted for as continuations of existing contracts without additional analysis. The optional relief is available from March 2020 through December 31, 2022. Kodak is currently evaluating the impact of this ASU.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" which removes certain exceptions related to intra-period tax allocations and deferred tax accounting on outside basis differences in foreign subsidiaries and equity method investments. Additionally, it provides other simplifying measures for the accounting for income taxes. The new standard is effective for fiscal years beginning after December 15, 2021 (January 1, 2022 for Kodak) with early adoption permitted. Kodak is currently evaluating the impact of this ASU.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 (as amended by ASUs 2018-19, 2019-04, 2019-05, 2019-10, 2019-11, 2020-02 and 2020-03) requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. In addition, the ASU requires credit losses relating to available-for-sale debt securities to be recorded through an allowance for credit losses. The amendments in this ASU broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The ASU is effective for smaller reporting companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, (January 1, 2023 for Kodak). Early adoption is permitted. Kodak is currently evaluating the impact of this ASU.

NOTE 2: CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Statement of Financial Position that sums to the total of such amounts shown in the Statement of Cash Flows:

(in millions)	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 180	$ 233
Restricted cash - current portion	7	12
Restricted cash	25	45
Total cash, cash equivalents and restricted cash shown in the Statement of Cash Flows	$ 212	$ 290

Restricted cash - current portion on the Consolidated Statement of Financial Position primarily represents amounts that support hedging activities. In addition, as of December 31, 2019, it also contained collateral for a guaranty provided to MIR Bidco, SA (the "Purchaser") who purchased Kodak's Flexographic Packaging business ("FPD"). On April 16, 2019 the Purchaser of FPD paid Kodak $15 million in the U.S. as a prepayment for transition services and products and services to be provided by Kodak to the Purchaser. Kodak provided a $15 million guaranty, supported by cash collateral in China, to the Purchaser. The Purchaser had the option to satisfy its payment obligations to Kodak through a reduction of the prepayment balance or in cash. When the Purchaser satisfied its payment obligations to Kodak by utilizing its prepayment balance, Kodak followed a guaranty amendment process to reduce the amount of its guaranty and cash collateral supporting the prepayment balance. As of June 30, 2020 and December 31, 2019, the remaining prepayment balance was $0 million and $3 million, respectively, and the cash collateral supporting Kodak's guaranty was $0 million and $4 million, respectively.

Restricted cash includes $9 million and $22 million as of June 30, 2020 and December 31, 2019, respectively, supporting compliance with the Excess Availability threshold under the ABL Credit Agreement, as defined therein (Refer to Note 8, "Debt and Finance Leases" for information on the decrease in Restricted cash supporting the Excess Availability threshold). In addition, Restricted cash as of both June 30, 2020 and December 31, 2019 includes an escrow of $10 million and $14 million, respectively, in China to secure various ongoing obligations under the agreements for the strategic relationship with Lucky HuaGuang Graphics Co. Ltd. Restricted cash also included $3 million and $5 million of security posted related to Brazilian legal contingencies as of June 30, 2020 and December 31, 2019, respectively.

NOTE 3: INVENTORIES, NET

(in millions)	June 30, 2020	December 31, 2019
Finished goods	$ 107	$ 105
Work in process	60	54
Raw materials	61	56
Total	$ 228	$ 215

NOTE 4: OTHER LONG-TERM ASSETS

(in millions)	June 30, 2020	December 31, 2019
Pension assets	$ 225	$ 173
Estimated workers' compensation recoveries	18	18
Long-term receivables, net of reserve of $4 and $4, respectively	10	11
Series A Preferred Stock embedded conversion option derivative asset	5	—
Other	27	26
Total	$ 285	$ 228

The Other component above consists of other miscellaneous long-term assets that, individually, were less than 5% of the total assets component within the Consolidated Statement of Financial Position as of the end of the preceding year, and therefore have been aggregated in accordance with Regulation S-X.

NOTE 5: GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents the carrying value of goodwill by reportable segment.

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	Total
As of December 31, 2019					
Goodwill	$ 56	$ 6	$ 14	$ —	$ 76
Accumulated impairment losses	(56)	—	(8)	—	(64)
Balance as of December 31, 2019	—	6	6	—	12
Goodwill reallocation	—	—	(6)	6	—
Balance as of June 30, 2020	$ —	$ 6	$ —	$ 6	$ 12

As a result of the change in segments that became effective as of January 1, 2020, Kodak's goodwill reporting units changed. Refer to Note 22, "Segment Information" for additional information on the change to Kodak's organizational structure. The Digital Printing segment has three goodwill reporting units: Electrophotographic Printing Solutions; Prosper and Versamark; and Software. The Advanced Materials and Chemicals segment has three goodwill reporting units: Motion Picture and Industrial Films and Chemicals; Advanced Materials and Functional Printing; and Kodak Services for Business. The Traditional Printing segment and Brand segment each have one goodwill reporting unit.

As of December 31, 2019, the goodwill balance of $12 million under the prior year segment reporting structure was comprised of $6 million for the Brand, Film and Imaging segment and $6 million for the Kodak Software segment, which had only one reporting unit (Software). The goodwill in the Brand, Film and Imaging segment was reported in the Consumer Products reporting unit.

The goodwill previously reported in the Consumer Products goodwill reporting unit was transferred to the Brand goodwill reporting unit using a relative fair value allocation to affected reporting units. Goodwill previously reported in the Software reporting unit was transferred to the Digital Printing segment where it continues to remain its own reporting unit.

Kodak performed interim tests of impairment for goodwill as of June 30, 2020 due to the continued uncertainty regarding the negative impact of the COVID-19 pandemic on its operations, and as of March 31, 2020, due to the decline in market capitalization as of that date since the last goodwill impairment test (December 31, 2019) and the uncertainty regarding the negative impact of the COVID-19 pandemic at that time. Based on the results of the June 30, 2020 and March 31, 2020 analyses, no impairment of goodwill was indicated. As of June 30, 2020 and March 31, 2020, the Brand reporting unit had negative carrying value.

The gross carrying amount and accumulated amortization by major intangible asset category as of June 30, 2020 and December 31, 2019 were as follows:

	June 30, 2020			
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Weighted-Average Amortization Period
Technology-based	$ 99	$ 79	$ 20	5 years
Kodak trade name	18	—	18	Indefinite life
Customer-related	11	8	3	3 years
Total	$ 128	$ 87	$ 41	

	December 31, 2019			
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Weighted-Average Amortization Period
Technology-based	$ 99	$ 76	$ 23	5 years
Kodak trade name	21	—	21	Indefinite life
Customer-related	11	8	3	4 years
Total	$ 131	$ 84	$ 47	

In the first quarter of 2020, due to the uncertainty regarding the negative impact of the COVID-19 pandemic at that time, Kodak performed an interim test of impairment for the Kodak trade name. Based on the result of the interim impairment test, Kodak concluded the carrying value of the Kodak trade name exceeded its fair value. Pre-tax impairment charges of $3 million are included in Other operating income, net in the six months ended June 30, 2020 in the Consolidated Statement of Operations.

Kodak also performed an interim test of impairment for the Kodak trade name as of June 30, 2020 due to the continued uncertainty regarding the negative impact of the COVID-19 pandemic. The interim impairment tests of the Kodak trade name used the income approach, specifically the relief from royalty method. Based on the result of the interim impairment test as of June 30, 2020, Kodak concluded the fair value of the Kodak trade name exceeded its' carrying value resulting in no additional impairment.

Amortization expense related to intangible assets was $2 million for the three months ended June 30, 2020 and 2019 and $3 million for the six months ended June 30, 2020 and 2019.

Estimated future amortization expense related to intangible assets that are currently being amortized as of June 30, 2020 was as follows:

(in millions)	
Q3 - Q4 2020	$ 3
2021	5
2022	4
2023	4
2024	4
2025 and thereafter	3
Total	$ 23

NOTE 6: OTHER CURRENT LIABILITIES

(in millions)	June 30, 2020	December 31, 2019
Deferred revenue	$ 40	$ 43
Employee related liabilities	37	38
Customer rebates (1)	17	23
Series A Preferred Stock dividends payable	14	14
Workers compensation	10	10
Restructuring liabilities	8	12
Deferred consideration on disposed businesses (2)	—	14
Transition services agreement prepayment	—	3
Other (3)	35	44
Total	$ 161	$ 201

(1) The customer rebate amounts will potentially be settled through customer deductions applied to outstanding trade receivables in lieu of cash payments.

(2) On September 3, 2013, Kodak consummated the sale of certain assets and the assumption of certain liabilities of the Personalized Imaging and Document Imaging Businesses (“PI/DI Businesses”) to the trustee of the U. K. pension plan (and/or its subsidiaries) for net cash consideration of $325 million. Up to $35 million in aggregate of the purchase price was subject to repayment if the PI/DI Business did not achieve certain annual adjusted EBITDA targets over the four-year period ending December 31, 2018. The PI/DI Business did not achieve the adjusted annual EBITDA target for any year in the four-year period. The amounts owed for 2015, 2016 and 2017 were paid in 2016, 2017 and 2019, respectively. The maximum potential payment related to the year ending December 31, 2018 of $14 million was accrued at the time of the divestiture of the business. The Company did not consider the procedural requirements giving rise to the obligation to pay the amount relating to the year ended December 31, 2018 to have been met. The PI/DI Businesses (operating as Kodak Alaris) filed suit against the Company alleging breach of contract based on the failure to pay the $14 million amount with respect to 2018. The Company filed counterclaims seeking contractual penalties related to late payments for goods and services provided by Kodak under various separate agreements. The Company and Kodak Alaris reached a settlement in June 2020 dismissing the actions and all claims and counterclaims asserted against each other and also amended existing supply agreements. As a part of the settlement agreement, $11 million of the deferred consideration on disposed businesses was offset against receivables of $11 million for goods and services owed to the Company by Kodak Alaris. Income of $3 million from the release of the remaining deferred consideration on disposed businesses will be recognized as revenue over the term of the amended supply agreements.

(3) The Other component above consists of other miscellaneous current liabilities that, individually, were less than 5% of the current liabilities component within the Consolidated Statement of Financial Position as of the end of the preceding year, and therefore have been aggregated in accordance with Regulation S-X.

NOTE 7: OTHER LONG-TERM LIABILITIES

(in millions)	June 30, 2020	December 31, 2019
Workers compensation	$ 81	$ 84
Asset retirement obligations	40	48
Deferred brand licensing revenue	16	18
Deferred taxes	30	13
Environmental liabilities	9	10
Convertible Notes embedded conversion option derivative liability	9	52
Other	12	6
Total	$ 197	$ 231

The Other component above consists of other miscellaneous long-term liabilities that, individually, were less than 5% of the total liabilities component within the Consolidated Statement of Financial Position as of the end of the preceding year, and therefore have been aggregated in accordance with Regulation S-X.

NOTE 8: DEBT AND FINANCE LEASES

Amended and Restated Credit Agreement
On January 27, 2020 Kodak exercised its right under the ABL Credit Agreement to permanently reduce lender commitments, reducing the commitments from $150 million to $120 million. As a result, the minimum Excess Availability decreased to $15 million from the previous minimum of $18.75 million.

On March 27, 2020, the Company and the subsidiaries of the Company that are guarantors (the “Subsidiary Guarantors”) entered into Amendment No. 3 to the ABL Credit Agreement (the “Amendment”) with the lenders party thereto (the “Lenders”), Bank of America, N.A., as administrative and collateral agent, and Bank of America, N.A. and each of the parties to the ABL Credit Agreement as lenders. Each of the capitalized but undefined terms used in the context of describing the ABL Credit Agreement and the Amendment has the meaning ascribed to such term in the ABL Credit Agreement and the Amendment.

The Amendment decreased the available asset-based revolving loans (the “ABL Loans”) and letters of credit from an aggregate amount of up to $120 million to $110 million, subject to the Borrowing Base. As a result of the additional reduction in lender commitments, the minimum Excess Availability decreased to $13.75 million from the previous amount of $15 million.

The Amendment also changed Equipment Availability from (i) the lesser of 75% of Net Orderly Liquidation Value of Eligible Equipment or $6 million to (ii) the lesser of 70% of Net Orderly Liquidation Value of Eligible Equipment or $14.75 million as of March 31, 2020. The Equipment Availability was $14.75 million for June 30, 2020. The $14.75 million amount decreases by $1 million per quarter starting on July 1, 2020 until maturity or the amount is decreased to $0, whichever comes first.

The changes effected by the Amendment to the Excess Availability and Equipment Availability combined with increases in Available Accounts Receivable and Inventory allowed the Company to decrease Eligible Cash by $13 million without causing Excess Availability to fall below 12.5 % of lender commitments. Available Accounts Receivable and Inventory and Eligible Equipment have the meaning ascribed to these terms in the ABL Credit Agreement.

The Company had issued approximately $80 million of letters of credit under the ABL Credit Agreement as of both June 30, 2020 and December 31, 2019. Under the ABL Credit Agreement the Company is required to maintain Excess Availability above 12.5% of lender commitments ($13.75 million at June 30, 2020). If Excess Availability is below 12.5% of lender commitments the Company has the ability to fund amounts into the Eligible Cash account which will increase Excess Availability for purposes of the previous month-end compliance reporting. On July 20, 2020 the Company funded $5 million to the Eligible Cash account. Including the July 20, 2020 Eligible Cash funding in the June 30, 2020 compliance calculation the Company had approximately $17 million of Excess Availability under the ABL Credit Agreement for the June 30, 2020 compliance reporting and $22 million of Excess Availability under the ABL Credit Agreement as of December 31, 2019. To maintain Excess Availability of greater than 12.5% of lender commitments ($13.75 million and $18.75 million as of June 30, 2020 and December 31, 2019, respectively), incremental to the $5 million funding of the Eligible Cash account on July 20, 2020, Kodak funded $9 million and $22 million to the Eligible Cash account held with the ABL Credit Agreement Administrative Agent as of June 30, 2020 and December 31, 2019, respectively, which is classified as Restricted Cash in the Consolidated Statement of Financial Position.

In addition to the changes discussed above, the Amendment increased the interest rate charged on the ABL Loans. The interest rate on the ABL Loans (which is based on Excess Availability) increased to LIBOR plus 3.50% - 4.00% per annum from LIBOR plus 2.25% - 2.75% per annum or the Base Rate plus 2.50% - 3.00% per annum from the Base Rate plus 1.25% - 1.75% per annum.

Convertible Notes
On May 20, 2019, the Company and Longleaf Partners Small Cap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust, which are investment funds managed by Southeastern Asset Management, Inc. (the “Notes Purchasers”), entered into a Notes Purchase Agreement (the “Purchase Agreement”) pursuant to which the Company agreed to issue and sell to the Notes Purchasers, and the Notes Purchasers agreed to purchase from the Company, $100 million aggregate principal amount of the Convertible Notes. The transaction closed on May 24, 2019. The proceeds were used to repay the remaining first lien term loans outstanding ($83 million) under the Senior Secured First Lien Term Credit Agreement (the “Term Credit Agreement”), which was terminated with the repayment. The remaining proceeds were used for general corporate purposes. The Notes Purchasers also hold all outstanding shares of the Series A Preferred Stock, which vote with the shares of common stock on an as-converted basis, and are holders of shares of the Company’s common stock, par value $0.01 per share (the “Common Stock”).

The Convertible Notes bear interest at a rate of 5.00% per annum, which will be payable in cash on their maturity date and, at the option of the Company, in either cash or additional shares of Common Stock on any conversion date. The payment of interest only at the maturity date has the same effect as delivering additional debt instruments to the holders of the Convertible Notes and therefore is considered paid-in-kind interest (“PIK”). Therefore, PIK will be added to the carrying value of the debt through the term and interest expense will be recorded using the effective interest method.

The maturity date of the Convertible Notes is initially November 1, 2021. The Company has the option to extend the maturity of the Convertible Notes by up to three years in the event that the Series A Preferred Stock is refinanced with debt or equity or the mandatory redemption date of the Series A Preferred Stock is extended.

Embedded Derivatives
Kodak allocated $14 million of the net proceeds received to a derivative liability based on the aggregate fair value of the embedded features and term extension on the date of issuance which reduced the net carrying value of the Convertible Notes (refer to Note 24, “Financial Instruments”).
The carrying value of the Convertible Notes at the time of issuance, $84 million ($100 million aggregate gross proceeds less $14 million allocated to the derivative liability and $2 million in transaction costs), is being accreted to the face amount using the effective interest method from the date of issuance through the maturity date.

As of June 30, 2020, none of the Convertible Notes had been converted.

NOTE 9: REDEEMABLE, CONVERTIBLE SERIES A PREFERRED STOCK

On November 15, 2016, the Company issued 2,000,000 shares of Series A Preferred Stock for an aggregate purchase price of $200 million, or $100 per share pursuant to a Series A Preferred Stock Purchase Agreement with Southeastern Asset Management, Inc. (“Southeastern”) and Longleaf Partners Small-Cap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust, which are investment funds managed by Southeastern (such investment funds, collectively, the “Purchasers”), dated November 7, 2016. The Company has classified the Series A Preferred Stock as temporary equity in the Consolidated Statement of Financial Position.

Kodak allocated $43 million of the net proceeds received to a derivative liability based on the aggregate fair value of the embedded conversion features on the date of issuance which reduced the net carrying value of the Series A Preferred Stock (see Note 24, “Financial Instruments”). The carrying value of the Series A Preferred Stock at the time of issuance, $155 million ($200 million aggregate gross proceeds less $43 million allocated to the derivative liability and $2 million in transaction costs), is being accreted to the mandatory redemption amount using the effective interest method to Additional paid in capital in the Consolidated Statement of Financial Position as a deemed dividend from the date of issuance through the mandatory redemption date, November 15, 2021.

The holders of Series A Preferred Stock are entitled to cumulative dividends payable quarterly in cash at a rate of 5.50% per annum. Until the third quarter of 2018 all dividends owed on the Series A Preferred Stock were declared and paid when due. No quarterly dividend was declared in the third or fourth quarters of 2018 or the first and second quarters of 2019. The Company declared quarterly cash dividends in the third and fourth quarters of 2019 and the first and second quarters of 2020 that were paid when due. In July 2020, the Company declared and paid the four quarterly dividends that were in arrears. The total amount of dividends in arrears was $11 million.

The Purchasers have the right to nominate members to the Company’s board of directors proportional to their ownership on an as converted basis, which initially allowed the Purchasers to nominate two members to the board. If dividends on any Series A Preferred Stock are in arrears for six or more consecutive or non-consecutive dividend periods, the holders of Series A Preferred Stock, voting with holders of all other preferred stock of the Company whose voting rights are then exercisable, will be entitled to vote for the election of two additional directors in the next annual meeting and all subsequent meetings until all accumulated dividends on such Series A Preferred Stock and other voting preferred stock have been paid or set aside. The nomination right of the Purchasers will be reduced by two nominees at any time the holders of Series A Preferred Stock have the right to elect, or participate in the election of, two additional directors. Two of the directors on the Company’s current board of directors were nominated by the Purchasers although the holders of the Series A Preferred Stock currently have the contractual right to nominate only one director based on the results of the ownership formula.

As of June 30, 2020, the Series A Preferred Stock has not been converted and none of the anti-dilution provisions have been triggered. Any shares of Series A Preferred Stock not converted prior to the fifth anniversary of the initial issuance of the Series A Preferred Stock are required to be redeemed at $100 per share plus the amount of accrued and unpaid dividends.

NOTE 10: LEASES

Income recognized on operating lease arrangements for the three months ended June 30, 2020 and 2019 and is presented below (income recognized for sales-type lease arrangements is $0 million for both periods):

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Lease income - operating leases:				
Lease income	$ 2	$ 2	$ 4	$ 4
Sublease income	—	2	2	4
Variable lease income	1	1	2	2
Total lease income	$ 3	$ 5	$ 8	$ 10

NOTE 11: COMMITMENTS AND CONTINGENCIES

As of June 30, 2020, the Company had outstanding letters of credit of $80 million issued under the ABL Credit Agreement, as well as bank guarantees and letters of credit of $2 million, surety bonds in the amount of $38 million, and restricted cash of $32 million, primarily to address the payment of possible casualty and workers' compensation claims, support legal contingencies, hedging activities, compliance with the Excess Availability threshold under the ABL Credit Agreement, environmental liabilities, rental payments and to support various customs, tax and trade activities.

Kodak's Brazilian operations are involved in various litigation matters in Brazil and have received or been the subject of numerous governmental assessments related to indirect and other taxes in various stages of litigation, as well as civil litigation and disputes associated with former employees and contract labor. The tax matters, which comprise the majority of the litigation matters, are primarily related to federal and state value-added taxes. Kodak's Brazilian operations are disputing these matters and intend to vigorously defend its position. Kodak routinely assesses all these matters as to the probability of ultimately incurring a liability in its Brazilian operations and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of June 30, 2020, the unreserved portion of these contingencies, inclusive of any related interest and penalties, for which there was at least a reasonable possibility that a loss may be incurred, amounted to approximately $5 million.

In connection with assessments in Brazil, local regulations may require Kodak's Brazilian operations to post security for a portion of the amounts in dispute. As of June 30, 2020, Kodak's Brazilian operations have posted security composed of $3 million of pledged cash reported within Restricted cash in the Consolidated Statement of Financial Position and liens on certain Brazilian assets with a net book value of approximately $41 million. Generally, any encumbrances on the Brazilian assets would be removed to the extent the matter is resolved in Kodak's favor.

Kodak is involved in various lawsuits, claims, investigations, remediations and proceedings, including, from time to time, commercial, customs, employment, environmental, tort and health and safety matters, which are being handled and defended in the ordinary course of business. Kodak is also subject, from time to time, to various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that are incorporated in a broad spectrum of Kodak's products and claims arising out of Kodak's licensing its brand. These matters are in various stages of investigation and litigation and are being vigorously defended. Based on information currently available, Kodak does not believe that it is probable that the outcomes in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations. Litigation is inherently unpredictable, and judgments could be rendered or settlements entered that could adversely affect Kodak's operating results or cash flows in a particular period. Kodak routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable.

NOTE 12: GUARANTEES

In connection with the settlement of certain of the Company's historical environmental liabilities at Eastman Business Park, a more than 1,200-acre technology center and industrial complex in Rochester, New York, in the event the historical liabilities exceed $99 million, the Company will become liable for 50% of the portion above $99 million with no limitation to the maximum potential future payments. There is no liability recorded for this guarantee.

Extended Warranty Arrangements
Kodak offers its customers extended warranty arrangements that are generally one year, but may range from three months to six years after the original warranty period. The change in Kodak's deferred revenue balance in relation to these extended warranty and maintenance arrangements from December 31, 2019 to June 30, 2020, which is reflected in Other current liabilities in the accompanying Consolidated Statement of Financial Position, was as follows:

(in millions)		
Deferred revenue on extended warranties as of December 31, 2019	$	21
Extended warranty and maintenance arrangements deferred in 2020		45
Recognition of extended warranty and maintenance arrangement revenue in 2020		(47)
Deferred revenue on extended warranties as of June 30, 2020	$	19

NOTE 13: REVENUE

Disaggregation of Revenue

The following tables present revenue disaggregated by major product, portfolio summary and geography.

Three Months Ended
June 30, 2020

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
Plates, inks and other consumables	$ 90	$ 12	$ 1	$ —	$ —	$ 103
Ongoing service arrangements (1)	20	29	—	—	—	49
Total annuities	110	41	1	—	—	152
Equipment & software	9	11	—	—	—	20
Film and chemicals	—	—	33	—	—	33
Other (2)	—	—	4	2	2	8
Total	$ 119	$ 52	$ 38	$ 2	$ 2	$ 213

Six Months Ended
June 30, 2020

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
Plates, inks and other consumables	$ 216	$ 31	$ 3	$ —	$ —	$ 250
Ongoing service arrangements (1)	41	64	—	—	—	105
Total annuities	257	95	3	—	—	355
Equipment & software	16	22	—	—	—	38
Film and chemicals	—	—	71	—	—	71
Other (2)		—	6	5	5	16
Total	$ 273	$ 117	$ 80	$ 5	$ 5	$ 480

Three Months Ended June 30, 2019

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
Plates, inks and other consumables	$ 146	$ 21	$ 3	$ —	$ —	$ 170
Ongoing service arrangements (1)	22	39	1	—	—	62
Total annuities	168	60	4	—	—	232
Equipment & software	13	9	—	—	—	22
Film and chemicals	—	—	42	—	—	42
Other (2)	—	—	6	2	3	11
Total	$ 181	$ 69	$ 52	$ 2	$ 3	$ 307

Six Months Ended June 30, 2019

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
Plates, inks and other consumables	$ 283	$ 42	$ 6	$ —	$ —	$ 331
Ongoing service arrangements (1)	43	79	2	—	—	124
Total annuities	326	121	8	—	—	455
Equipment & software	21	20	—	—	—	41
Film and chemicals	—	—	80	—	—	80
Other (2)	—	—	12	5	5	22
Total	$ 347	$ 141	$ 100	$ 5	$ 5	$ 598

(1) Service revenue in the Consolidated Statement of Operations includes the ongoing service revenue shown above as well as revenue from project-based document management and managed print services businesses, which is included in Other above.

(2) Other includes revenue from professional services, non-recurring engineering services, print and managed media services, tenant rent and related property management services and licensing.

Product Portfolio Summary:

Three Months Ended June 30, 2020

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
Growth engines (1)	$ 27	$ 30	$ 1	$ 2	$ —	$ 60
Strategic other businesses (2)	92	10	35	—	2	139
Planned declining businesses (3)	—	12	2	—	—	14
Total	$ 119	$ 52	$ 38	$ 2	$ 2	$ 213

Six Months Ended June 30, 2020

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
Growth engines (1)	$ 71	$ 66	$ 1	$ 5	$ —	$ 143
Strategic other businesses (2)	202	25	74	—	5	306
Planned declining businesses (3)		26	5	—	—	31
Total	$ 273	$ 117	$ 80	$ 5	$ 5	$ 480

Three Months Ended June 30, 2019

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
Growth engines (1)	$ 45	$ 32	$ —	$ 2	$ —	$ 79
Strategic other businesses (2)	136	19	44	—	3	202
Planned declining businesses (3)	—	18	8	—	—	26
Total	$ 181	$ 69	$ 52	$ 2	$ 3	$ 307

Six Months Ended June 30, 2019

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
Growth engines (1)	$ 84	$ 67	$ 2	$ 5	$ —	$ 158
Strategic other businesses (2)	263	36	83	—	5	387
Planned declining businesses (3)	—	38	15	—	—	53
Total	$ 347	$ 141	$ 100	$ 5	$ 5	$ 598

(1) Growth engines consist of Sonora in the Traditional Printing segment, PROSPER and Software in the Digital Printing segment, brand licensing and Advanced Materials and Functional Printing in the Advanced Materials and Chemicals segment, excluding intellectual property (IP) licensing.

(2) Strategic other businesses include plates in the Traditional Printing segment; Computer to Plate (“CTP”) equipment and related service and Nexpress and related toner business in the Digital Printing segment and Motion Picture and Industrial Film and Chemicals (including external inks) and IP licensing in the Advanced Materials and Chemicals segment.

(3) Planned declining businesses are product lines where the decision has been made to stop new product development and manage an orderly expected decline in the installed product and annuity base or are otherwise not strategic to Kodak. These product families consist of Consumer Inkjet, Kodak Services for Business and Kodakit in the Advanced Materials and Chemicals segment and Versamark and Digimaster in the Digital Printing segment.

Geography (1):

Three Months Ended June 30, 2020

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
United States	$ 26	$ 24	$ 25	$ 2	$ 2	$ 79
Canada	3	1	1	—	—	5
North America	29	25	26	2	2	84
Europe, Middle East and Africa	49	18	2	—	—	69
Asia Pacific	36	8	10	—	—	54
Latin America	5	1	—	—	—	6
Total	$ 119	$ 52	$ 38	$ 2	$ 2	$ 213

Six Months Ended June 30, 2020

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
United States	$ 61	$ 52	$ 55	$ 5	$ 5	$ 178
Canada	6	3	1	—	—	10
North America	67	55	56	5	5	188
Europe, Middle East and Africa	117	42	5	—	—	164
Asia Pacific	75	18	19	—	—	112
Latin America	14	2	—	—	—	16
Total	$ 273	$ 117	$ 80	$ 5	$ 5	$ 480

Three Months Ended
June 30, 2019

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
United States	$ 41	$ 32	$ 32	$ 2	$ 3	$ 110
Canada	3	3	—	—	—	6
North America	44	35	32	2	3	116
Europe, Middle East and Africa	75	23	6	—	—	104
Asia Pacific	51	9	13	—	—	73
Latin America	11	2	1	—	—	14
Total	$ 181	$ 69	$ 52	$ 2	$ 3	$ 307

Six Months Ended
June 30, 2019

(in millions)	Traditional Printing	Digital Printing	Advanced Materials and Chemicals	Brand	All Other	Total
United States	$ 77	$ 71	$ 62	$ 5	$ 5	$ 220
Canada	5	4	1	—	—	10
North America	82	75	63	5	5	230
Europe, Middle East and Africa	147	43	10	—	—	200
Asia Pacific	96	19	26	—	—	141
Latin America	22	4	1	—	—	27
Total	$ 347	$ 141	$ 100	$ 5	$ 5	$ 598

(1) Sales are reported in the geographic area in which they originate.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed trade receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) in the Consolidated Statement of Financial Position. The contract assets are transferred to trade receivables when the rights to consideration become unconditional. The amounts recorded for contract assets at June 30, 2020 and December 31, 2019 were $2 million and $4 million, respectively, and are reported in Other current assets in the Consolidated Statement of Financial Position. The contract liabilities primarily relate to prepaid service contracts, upfront payments for certain equipment purchases or prepaid royalties on intellectual property arrangements. The amounts recorded for contract liabilities at June 30, 2020 and December 31, 2019 were $55 million and $61 million, respectively, of which $40 million and $43 million are reported in Other current liabilities, respectively, and $15 million and $18 million, respectively, are reported in Other long-term liabilities in the Consolidated Statement of Financial Position.

Revenue recognized for the three and six months ended June 30, 2020 and 2019 that was included in the contract liability balance at the beginning of the year was $5 million and $31 million in 2020, respectively, and $5 million and $30 million in 2019, respectively, and primarily represented revenue from prepaid service contracts and equipment revenue recognition. Contract liabilities as of June 30, 2020 included $19 million and $21 million of cash payments received during the three and six months ended June 30, 2020, respectively. Contract liabilities as of June 30, 2019 included $20 million and $23 million of cash payments received during the three and six months ended June 30, 2019, respectively.

Kodak does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less or for which revenue is recognized at the amount to which Kodak has the right to invoice for services performed. Performance obligations with an original expected length of greater than one year generally consist of deferred service contracts, operating leases and licensing arrangements. As of June 30, 2020, there was approximately $65 million of unrecognized revenue from unsatisfied performance obligations. Approximately 20% of the revenue from unsatisfied performance obligations is expected to be recognized in the rest of 2020, 25% in 2021, 20% in 2022 and 35% thereafter.

NOTE 14: OTHER OPERATING INCOME, NET

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Expense (income):				
(Gain) loss on sale of assets (1)	$ (1)	$ 1	$ (9)	$ 1
Asset impairments (2)	—	—	3	—
Transition services agreement income	(2)	(2)	(4)	(2)
Other	—	1	—	1
Total	$ (3)	$ —	$ (10)	$ —

(1) In March 2020 Kodak sold a property in the U.S.

(2) Refer to Note 5, "Goodwill and Other Intangible Assets".

NOTE 15: OTHER CHARGES (INCOME), NET

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Change in fair value of embedded conversion features derivative liability (1)	$ 4	$ (3)	$ (49)	$ (2)
Loss on foreign exchange transactions	3	1	5	1
Loss on early retirement of debt	—	1	—	1
Other	1	1	(1)	1
Total	$ 8	$ —	$ (45)	$ 1

(1) Refer to Note 24, "Financial Instruments".

NOTE 16: INCOME TAXES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
(Loss) earnings from continuing operations before income taxes	$ (4)	$ (4)	$ 50	$ (13)
Effective tax rate	(25.0)%	(50.0)%	332.0%	(38.5)%
Provision for income taxes	1	2	166	5
(Benefit) provision for income taxes at U.S. statutory tax rate	(1)	(1)	11	(3)
Difference between tax at effective vs. statutory rate	$ 2	$ 3	$ 155	$ 8

For the three months ended June 30, 2020, the difference between Kodak's effective tax rate and the U.S. statutory rate of 21.0% is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings, (2) the results from operations in jurisdictions outside the U.S and (3) a provision associated with foreign withholding taxes on undistributed earnings.

For the six months ended June 30, 2020, the difference between Kodak's effective tax rate and the U.S. statutory rate of 21.0% is primarily attributable to: (1) a provision of $167 million associated with the establishment of valuation allowances in certain outside U.S. jurisdictions, (2) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses and (3) the results from operations in jurisdictions outside the U.S.

Kodak establishes valuation allowances for deferred income tax assets in accordance with U.S. GAAP, which provides that such valuation allowances shall be established unless realization of the income tax benefits is more likely than not. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At each reporting period, Kodak considers the scheduled reversal of deferred tax liabilities and assets, available taxes in carryback periods, tax planning strategies and projected future taxable income in making this assessment.

As of December 31, 2019, Kodak's deferred tax asset valuation allowance is $821 million. Of this amount, $168 million was attributable to the Company's net deferred tax assets outside the U.S. of $322 million, and $653 million related to the Company's net deferred tax assets in the U.S. of $633 million, for which Kodak believed it was more likely than not that the assets would not be realized.

As of March 31, 2020, Kodak determined that it was more likely than not that deferred tax assets outside the U.S. which were not offset with valuation allowances as of March 31, 2020 would not be realized due to reductions in estimates of future profitability as a result of the COVID-19 pandemic in locations outside the U.S. Accordingly, Kodak recorded a provision of $167 million associated with the establishment of a valuation allowance on those deferred tax assets.

Additionally, on February 21, 2020, Kodak agreed to terms with the IRS and settled the federal audit for calendar years 2013 and 2014. For these years, Kodak originally recorded a federal unrecognized tax position totaling $41 million, which was fully offset by tax attributes. This settlement resulted in an increase in net deferred tax assets and was fully offset by a corresponding increase in Kodak's U.S. valuation allowance, resulting in no net tax benefit.

For the three and six months ended June 30, 2019, the difference between Kodak's recorded provision and the benefit that would result from applying the U.S. statutory rate of 21.0%, is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses, (2) the results from operations in jurisdictions outside the U.S. and (3) a provision associated with foreign withholding taxes on undistributed earnings.

NOTE 17: RESTRUCTURING LIABILITIES

Charges for restructuring activities are recorded in the period in which Kodak commits to a formalized restructuring plan, or executes the specific actions contemplated by the plan, and all criteria for liability recognition under the applicable accounting guidance have been met. Restructuring actions taken in the first six months of 2020 were initiated to reduce Kodak's cost structure as part of its commitment to drive sustainable profitability and included various targeted reductions in manufacturing, service, sales and other administrative functions.

Restructuring Reserve Activity
The activity in the accrued balances and the non-cash charges and credits incurred in relation to restructuring activities for the six months ended June 30, 2020 were as follows:

(in millions)	Severance Reserve (1)	Exit Costs Reserve (1)	Long-lived Asset Impairments and Inventory Write-downs (1)	Total
Balance as of December 31, 2019	$ 11	$ 1	$ —	$ 12
Q1 charges	6	1	—	7
Q1 utilization/cash payments	(7)	—	—	(7)
Q1 other adjustments and reclasses (2)	(1)	(1)	—	(2)
Balance as of March 31, 2020	$ 9	$ 1	$ —	$ 10
Q2 charges	$ 1	$ —	$ —	$ 1
Q2 utilization/cash payments	(3)	—	—	(3)
Balance as of June 30, 2020	$ 7	$ 1	$ —	$ 8

(1) The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments and inventory write-downs represent non-cash items.
(2) Includes $(1) million of severance charges funded from pension plan assets, which were reclassified to Pension and other postretirement liabilities and $(1) million of currency translation impacts.

The $1 million and $7 million of charges for the three and six months ended June 30, 2020, respectively, were reported as Restructuring costs and other in the Consolidated Statement of Operations.

The severance costs for the 3 months ended June 30, 2020 related to the elimination of 3 administrative positions outside of the U.S. The severance costs for the six months ended June 30, 2020 related to the elimination of approximately 90 positions including approximately 20 manufacturing/service positions, and 70 administrative and sales positions. The geographic composition of these positions includes approximately 40 in the U.S. and Canada and 50 throughout the rest of the world.

As a result of these initiatives, the majority of the severance will be paid during periods through the end of the year.

NOTE 18: RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
(in millions)	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Major defined benefit plans:								
Service cost	$ 3	$ 1	$ 2	$ 1	$ 6	$ 2	$ 5	$ 2
Interest cost	22	2	31	3	43	4	61	6
Expected return on plan assets	(49)	(4)	(54)	(5)	(98)	(9)	(107)	(11)
Amortization of:								
Prior service credit	(1)	—	(1)	—	(3)	—	(3)	—
Actuarial loss	3	1	—	1	7	3	—	2
Net pension income before special termination benefits	(22)	—	(22)	—	(45)	—	(44)	(1)
Special termination benefits	—	—	1	—	1	—	2	—
Curtailment gain	—	—	(2)	—	—	—	(2)	—
Net pension income from major plans	(22)	—	(23)	—	(44)	—	(44)	(1)
Other plans	—	1	—	(3)	—	1	—	(4)
Total net pension (income) expense	$ (22)	$ 1	$ (23)	$ (3)	$ (44)	$ 1	$ (44)	$ (5)

For the three and six months ended June 30, 2020 and 2019 the special termination benefits charges were incurred as a result of Kodak's restructuring actions and have been included in Restructuring costs and other in the Consolidated Statement of Operations for those periods.

NOTE 19: EARNINGS PER SHARE

Basic earnings per share computations are based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share include any dilutive effect of potential common shares. In periods with a net loss from continuing operations available to common shareholders, diluted earnings per share are calculated using weighted-average basic shares for that period, as utilizing diluted shares would be anti-dilutive to loss per share.

A reconciliation of the amounts used to calculate basic and diluted earnings per share for the three and six months ended June 30, 2020 and 2019 follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Loss from continuing operations	$ (5)	$ (6)	$ (116)	$ (18)
Less: Series A convertible preferred stock cash dividend	(3)	(3)	(6)	(6)
Less: Series A convertible preferred stock deemed dividend	(2)	(2)	(4)	(4)
Loss from continuing operations available to common shareholders - basic and diluted	$ (10)	$ (11)	$ (126)	$ (28)
Net (loss) income	$ (5)	$ 201	$ (116)	$ 183
Less: Series A convertible preferred stock cash dividend	(3)	(3)	(6)	(6)
Less: Series A convertible preferred stock deemed dividend	(2)	(2)	(4)	(4)
Net (loss) income available to common shareholders - basic and diluted	$ (10)	$ 196	$ (126)	$ 173
(in millions of shares)				
Weighted average shares — basic and diluted	43.7	43.0	43.7	43.0

As a result of the net loss from continuing operations available to common shareholders for the three and six months ended June 30, 2020 and 2019, Kodak calculated diluted earnings per share using weighted-average basic shares outstanding. If Kodak reported earnings from continuing operations available to common shareholders for the three and six months ended June 30, 2020 and 2019, the calculation of diluted earnings per share would have included the assumed conversion of 0.5 million unvested restricted stock units for both periods in 2020 and 0.5 million and 0.4 million unvested restricted stock units for the periods in 2019, respectively.

The computation of diluted earnings per share for the three and six months ended June 30, 2020 and 2019 also excluded the impact of (1) the assumed conversion of 2.0 million shares of Series A Preferred Stock and (2) the assumed conversion of outstanding employee stock options of 7.1 million for both periods in 2020 and 7.2 million for both periods in 2019 because the effects would have been anti-dilutive. In addition, the computation of diluted earnings per share for the three and six months ended June 30, 2020 and the three months ended June 30, 2019 also excluded the assumed conversion of $100 million of Convertible Notes because the effect would have been anti-dilutive.

NOTE 20: SHAREHOLDERS' EQUITY

The Company has 560 million shares of authorized stock, consisting of: (i) 500 million shares of common stock, par value $0.01 per share and (ii) 60 million shares of preferred stock, no par value, issuable in one or more series. As of June 30, 2020 and December 31, 2019, there were 43.7 million and 43.2 million shares of common stock outstanding, respectively, and 2.0 million shares of Series A Preferred Stock issued and outstanding. Treasury stock consisted of approximately 0.7 million shares as of both June 30, 2020 and December 31, 2019.

NOTE 21: OTHER COMPREHENSIVE (LOSS) INCOME

The changes in Other comprehensive (loss) income, by component, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Currency translation adjustments	$ (4)	$ 1	$ (16)	$ 4
Pension and other postretirement benefit plan changes				
Newly established net actuarial gain	5	5	6	5
Tax Provision	—	(2)	—	(2)
Newly established net actuarial gain, net of tax	5	3	6	3
Reclassification adjustments:				
Amortization of prior service credit (a)	(2)	(3)	(4)	(4)
Amortization of actuarial losses (a)	5	2	10	2
Recognition of losses (gains) due to curtailments and settlements	1	(2)	1	(2)
Total reclassification adjustments	4	(3)	7	(4)
Tax provision	—	—	(1)	—
Reclassification adjustments, net of tax	4	(3)	6	(4)
Pension and other postretirement benefit plan changes, net of tax	9	—	12	(1)
Other comprehensive income (loss)	$ 5	$ 1	$ (4)	$ 3

(a) Reclassified to Total Net Periodic Benefit Cost - refer to Note 18, "Retirement Plans and Other Postretirement Benefits".

NOTE 22: SEGMENT INFORMATION

Change in Segments

Effective January 1, 2020 Kodak changed its organizational structure. Prepress Solutions, formerly part of the Print Systems segment, operates as a separate segment named the Traditional Printing segment. Electrophotographic Printing Solutions, formerly part of the Print Systems segment, was combined with the Enterprise Inkjet Systems segment and Kodak Software segment to form the Digital Printing segment. The Brand, Film and Imaging segment, except for the licensing of the Kodak brand to third parties, was combined with the Advanced Materials and 3D Printing segment to form the Advanced Materials and Chemicals segment. The licensing of the Kodak brand to third parties operates as a separate segment named the Brand segment. The Eastman Business Park segment is no longer a reportable segment. A description of Kodak’s reportable segments follows.

Traditional Printing: The Traditional Printing segment is comprised of Prepress Solutions.

Digital Printing: The Digital Printing segment is comprised of four lines of business: the Electrophotographic Printing Solutions business, the Prosper business, the Versamark business and the Kodak Software business.

Advanced Materials and Chemicals: The Advanced Materials and Chemicals segment is comprised of five lines of business: Industrial Film and Chemicals, Motion Picture, Advanced Materials and Functional Printing Technology and Kodak Services for Business.

Brand: The Brand segment contains the brand licensing business.

All Other: All Other is comprised of the operations of the Eastman Business Park, a more than 1,200-acre technology center and industrial complex.

Segment financial information is shown below:

Segment Revenues

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Traditional Printing	$ 119	$ 181	$ 273	$ 347
Digital Printing	52	69	117	141
Advanced Materials and Chemicals	38	52	80	100
Brand	2	2	5	5
All Other	2	3	5	5
Consolidated total	$ 213	$ 307	$ 480	$ 598

Segment Operational EBITDA and Consolidated (Loss) Income from Continuing Operations Before Income Taxes

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Traditional Printing	$ 1	$ 9	$ 2	$ 15
Digital Printing	(3)	(4)	(5)	(6)
Advanced Materials and Chemicals	(7)	(8)	(16)	(18)
Brand	2	2	4	3
Total of reportable segments	(7)	(1)	(15)	(6)
All Other	1	—	—	(1)
Depreciation and amortization	(10)	(14)	(20)	(29)
Restructuring costs and other	(1)	(2)	(8)	(4)
Stock based compensation	—	(2)	(1)	(5)
Consulting and other costs (1)	(1)	(2)	(1)	(5)
Idle costs (2)	(1)	(2)	(1)	(3)
Former CEO separation agreement compensation	—	—	—	(2)
Other operating (loss) income, net, excluding income from transition services agreement (3)	—	(2)	6	(2)
Interest expense (4)	(4)	(5)	(8)	(8)
Pension income excluding service cost component (4)	27	26	53	53
Other (charges) income, net (4)	(8)	—	45	(1)
Consolidated (loss) income from continuing operations before income taxes	$ (4)	$ (4)	$ 50	$ (13)

(1) Consulting and other costs are primarily professional services and internal costs associated with certain corporate strategic initiatives.

(2) Consists of costs such as security, maintenance and utilities required to maintain land and buildings in certain locations not used in any Kodak operations and the costs, net of any rental income received, of underutilized portions of certain properties.

(3) $2 million of income from the transition services agreement with the Purchaser was recognized in the three months ended June 30, 2020 and the three and six months ended June 30, 2019. $4 million of income from the transition services agreement was recognized in the six months ended June 30, 2020. The income was reported in Other operating income, net in the Consolidated Statement of Operations. Other operating income, net is typically excluded from the segment measure. However, the income from the transition services agreement was included in the segment measure.

(4) As reported in the Consolidated Statement of Operations.

Segment Measure of Profit and Loss

Kodak's segment measure of profit and loss is an adjusted earnings before interest, taxes, depreciation and amortization ("Operational EBITDA").

As demonstrated in the above table, Operational EBITDA represents the earnings (loss) from continuing operations excluding the provision for income taxes; non-service cost components of pension and OPEB income; depreciation and amortization expense; restructuring costs; stock-based compensation expense; consulting and other costs; idle costs; former Chief Executive Officer ("CEO") separation agreement compensation; other operating (loss) income, net (unless otherwise indicated); interest expense; and other (charges) income, net.

Kodak's segments are measured using Operational EBITDA both before and after allocation of corporate selling, general and administrative expenses ("SG&A"). The segment earnings measure reported is after allocation of corporate SG&A as this most closely aligns with U.S. GAAP. Research and Development activities not directly related to the other segments are reported within the Advanced Materials and Chemicals segment.

NOTE 23: DISCONTINUED OPERATIONS

Discontinued operations of Kodak include the former Flexographic Packaging segment comprised of Kodak's Flexographic Packaging Business ("FPD").

Kodak consummated the sale of certain assets of FPD to the Purchaser on April 8, 2019 for net cash consideration at closing, in addition to the assumption by Purchaser of certain liabilities of FPD, of $320 million, pursuant to the Stock and Asset Purchase Agreement ("SAPA") signed in November 2018 and amended in March 2019. Assets and liabilities of FPD in China were transferred at a deferred closing on July 1, 2019 for net cash consideration of $5.9 million at closing and a promissory note for $1.4 million in addition to the assumption by Purchaser of certain liabilities of FPD, in accordance with the SAPA. Kodak operated FPD in China, subject to certain covenants, until the deferred closing occurred. The promissory note was reduced by a true-up payment of $0.2 million owed by Kodak to the Purchaser which reflected the actual economic benefit attributable to the operation of FPD in China from the time of the initial closing through the time of the deferred closing.

Kodak recognized an after- tax gain on the sale of FPD of $207 million in the quarter ended June 30, 2019 and $212 million in the year ended December 31, 2019.

The results of operations of FPD are classified as discontinued operations in the Consolidated Statement of Operations for all periods presented. Direct operating expenses of the discontinued operations are included in the results of discontinued operations. Indirect expenses that were historically allocated to the discontinued operations have been included in the results of continuing operations.

The results of operations of FPD are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Revenues	$ —	$ 5	$ —	$ 44
Cost of revenues	—	2	—	28
Selling, general and administrative expenses	—	2	—	10
Research and development costs	—	—	—	2
Interest expense	—	—	—	7
Gain on divestiture	—	(210)	—	(210)
Income from discontinued operations before taxes	—	211	—	207
Provision for income taxes	—	4	—	6
Income from discontinued operations	$ —	$ 207	$ —	$ 201

After the initial closing, Kodak was required to use a portion of the proceeds from the sale of FPD to repay $312 million of the loans under the Term Credit Agreement. Interest expense on debt that was required to be repaid as a result of the sale was allocated to discontinued operations.

NOTE 24: FINANCIAL INSTRUMENTS

Kodak, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates and interest rates, which may adversely affect its results of operations and financial position. Kodak manages such exposures, in part, with derivative financial instruments. Foreign currency forward contracts are used to mitigate currency risk related to foreign currency denominated assets and liabilities. Kodak's exposure to changes in interest rates results from its investing and borrowing activities used to meet its liquidity needs. Kodak does not utilize financial instruments for trading or other speculative purposes.

Kodak's foreign currency forward contracts are not designated as hedges and are marked to market through net (loss) earnings at the same time that the exposed assets and liabilities are remeasured through net (loss) earnings (both in Other (income) charges, net in the Consolidated Statement of Operations). The notional amount of such contracts open at June 30, 2020 and December 31, 2019 was approximately $329 million and $332 million, respectively. The majority of the contracts of this type held by Kodak as of June 30, 2020 and December 31, 2019 are denominated in euros, Japanese yen, Chinese renminbi and Swiss francs.

The net effect of foreign currency forward contracts in the results of operations is shown in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Net (gain) loss from derivatives not designated as hedging instruments	$ (1)	$ 1	$ (2)	$ (3)

Kodak had no derivatives designated as hedging instruments for the three and six months ended June 30, 2020 and 2019.

In the event of a default under the ABL Credit Agreement, or a default under any derivative contract or similar obligation of Kodak, subject to certain minimum thresholds, the derivative counterparties would have the right, although not the obligation, to require immediate settlement of some or all open derivative contracts at their then-current fair value, but with liability positions netted against asset positions with the same counterparty.

As discussed in Note 8, "Debt and Finance Leases", the Company concluded that the Convertible Notes are considered more akin to a debt-type instrument and that the economic characteristics and risks of the embedded conversion features and term extension option were not considered clearly and closely related to the Convertible Notes. The embedded conversion features not considered clearly and closely related are the conversion at the option of the holder ("Optional Conversion") and the conversion in the event of a fundamental change or reorganization ("Fundamental Change or Reorganization Conversion"). Accordingly, these embedded conversion features and term extension option were bifurcated from the Convertible Notes and separately accounted for on a combined basis as a single derivative asset or liability.
The derivative is in a liability position at June 30, 2020 and December 31, 2019 and is reported in Other long-term liabilities in the Consolidated Statement of Financial Position. The derivative is being accounted for at fair value with changes in fair value being reported in Other charges (income), net in the Consolidated Statement of Operations.

As discussed in Note 9, "Redeemable, Convertible, Series A Preferred Stock", the Company concluded that the Series A Preferred Stock is considered more akin to a debt-type instrument and that the economic characteristics and risks of the embedded conversion features, except where the conversion price was increased to the liquidation preference, were not considered clearly and closely related to the Series A Preferred Stock. The embedded conversion features not considered clearly and closely related are the conversion at the option of the holder ("Optional Conversion"); the ability of Kodak to automatically convert the stock after the second anniversary of issuance ("Mandatory Conversion") and the conversion in the event of a fundamental change or reorganization ("Fundamental Change or Reorganization Conversion"). Accordingly, these embedded conversion features were bifurcated from the Series A Preferred Stock and separately accounted for on a combined basis as a single derivative asset or liability. The derivative was in an asset position at June 30, 2020 and is reported in Other long-term assets in the Consolidated Statement of Financial Position. The derivative was in a liability position at December 31, 2019 and was reported in Other long-term liabilities in the Consolidated Statement of Financial Position. The derivative is being accounted for at fair value with changes in fair value being reported in Other charges (income), net in the Consolidated Statement of Operations.

Fair Value
Fair values of Kodak's foreign currency forward contracts are determined using observable inputs (Level 2 fair value measurements) and are based on the present value of expected future cash flows (an income approach valuation technique) considering the risks involved and using discount rates appropriate for the duration of the contracts. The gross fair value of foreign currency forward contracts in an asset position are reported in Other current assets and the gross fair value of foreign currency forward contracts in a liability position are reported in Other current liabilities in the Consolidated Statement of Financial Position. The gross fair value of forward contracts in an asset position as of both June 30, 2020 and December 31, 2019 was $1 million. The gross fair value of foreign currency forward contracts in a liability position as of both June 30, 2020 and December 31, 2019 was $0 million.

Transfers between levels of the fair value hierarchy are recognized based on the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during the three and six months ended June 30, 2020.

The fair value of the embedded conversion features and term extension option derivatives are calculated using unobservable inputs (Level 3 fair measurements). The value of the Optional Conversion associated with both the Convertible Notes and Series A Preferred Stock is calculated using a binomial lattice model. The value of the term extension option reflects the probability weighted average value of the Convertible Notes using the original maturity date and a hypothetical extended maturity date, with all other contractual terms unchanged.

The following tables present the key inputs in the determination of fair value for the embedded conversion features and termination option derivatives:

Convertible Notes:

	Valuation Date	
	June 30, 2020	**December 31, 2019**
Total value of embedded derivative liability ($ millions)	$ 9	$ 51
Kodak's closing stock price	$ 2.23	$ 4.65
Expected stock price volatility	98.82%	104.61%
Risk free rate	0.16%	1.58%
Yield on the convertible notes	11.15%	11.52%

Series A Preferred Stock:

	Valuation Date	
	June 30, 2020	**December 31, 2019**
Total value of embedded derivative (asset) liability ($ millions)	$ (6)	$ 1
Kodak's closing stock price	$ 2.23	$ 4.65
Expected stock price volatility	98.82%	104.61%
Risk free rate	0.16%	1.58%
Yield on the preferred stock	15.51%	16.27%

The Fundamental Change and Reorganization Conversion values at issuance were calculated as the difference between the total value of the Convertible Notes or Series A Preferred Stock, as applicable, and the sum of the net present value of the cash flows if the Convertible Notes are repaid at their initial maturity date or Series A Preferred Stock is redeemed on its fifth anniversary and the values of the other embedded derivatives. The Fundamental Change and Reorganization Conversion values reduce the value of the embedded conversion features and term extension option derivative liability. Other than events that alter the likelihood of a fundamental change or reorganization event, the value of the Fundamental Change and Reorganization Conversion reflects the value as of the issuance date, amortized for the passage of time. The Fundamental Change and Reorganization Conversion value for the Series A Preferred Stock exceeded the value of the Optional Conversion and Mandatory Conversion values at June 30, 2020 resulting in the Series A Preferred Stock derivative being reported as an asset.

The fair values of long-term debt (Level 2 fair value measurements) are determined by reference to quoted market prices of similar instruments, if available, or by pricing models based on the value of related cash flows discounted at current market interest rates. The fair values of long-term borrowings were $119 million and $111 million at June 30, 2020 and December 31, 2019, respectively.

The carrying values of cash and cash equivalents, restricted cash and the current portion of long-term debt approximate their fair values at both June 30, 2020 and December 31, 2019.

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

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

This report on Form 10-Q includes “forward–looking statements” as that term is defined under the Private Securities Litigation Reform Act of 1995.

Forward–looking statements include statements concerning Kodak’s plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, liquidity, investments, financing needs and 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,” “strategy,” “continues,” “goals,” “targets,” or future or conditional verbs, such as “will,” “should,” “could,” or “may,” and similar expressions, as well as statements that do not relate strictly to historical or current facts, are intended to identify forward–looking statements. All forward–looking statements, including management’s examination of historical operating trends and data, are based upon Kodak’s expectations and various assumptions. Future events or results may differ from those anticipated or expressed in the forward-looking statements. Important factors that could cause actual events or results to differ materially from the forward-looking statements include, among others, the risks and uncertainties described in more detail in the Company’s Annual Report on Form 10–K for the year ended December 31, 2019 under the headings “Business,” “Risk Factors,” “Legal Proceedings,” and/or “Management’s Discussion and Analysis of Financial Condition and Results of Operations–Liquidity and Capital Resources,” in the corresponding sections of this report on Form 10-Q and the Company’s quarterly report on Form 10-Q for the quarter ended March 31, 2020, and in other filings the Company makes with the SEC from time to time, as well as the following:

- Kodak’s ability to improve and sustain its operating structure, cash flow, profitability and other financial results;
- Kodak’s ability to achieve cash forecasts, financial projections, and projected growth;
- Kodak’s ability to achieve the financial and operational results contained in its business plans;
- Kodak’s ability to comply with the covenants in its various credit facilities;
- Kodak’s ability to fund continued investments, capital needs and restructuring payments and service its debt and Series A Preferred Stock;
- The impact of the global economic environment or medical epidemics such as the COVID-19 pandemic;
- Whether the U.S. Development Finance Corporation approves and makes the potential $765 million loan to a subsidiary of the Company to support the launch of Kodak Pharmaceuticals and the impact of the circumstances relating to such potential loan and any related announcements and investigations;
- Changes in foreign currency exchange rates, commodity prices and interest rates;
- Kodak’s ability to effectively anticipate technology trends and develop and market new products, solutions and technologies;
- Kodak’s ability to effectively compete with large, well-financed industry participants;
- Continued sufficient availability of borrowings and letters of credit under the ABL Credit Agreement, Kodak’s ability to obtain additional financing if and as needed and Kodak’s ability to provide or facilitate financing for its customers;
- The performance by third parties of their obligations to supply products, components or services to Kodak; and
- Kodak’s ability to effect strategic transactions, such as divestitures, acquisitions, strategic alliances and similar transactions, or to achieve the benefits sought to be achieved from such strategic transactions.

There may be other factors that may cause Kodak’s actual results to differ materially from the forward–looking statements. All forward–looking statements attributable to Kodak or persons acting on its behalf apply only as of the date of this report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included or referenced in this document. Kodak 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, except as required by law.

OVERVIEW

Kodak is a global technology company focused on print and advanced materials and chemicals. Kodak provides industry-leading hardware, software, consumables and services primarily to customers in commercial print, packaging, publishing, manufacturing and entertainment. Kodak is committed to environmental stewardship and ongoing leadership in developing sustainable solutions. Its broad portfolio of superior products, responsive support and world-class research and development (“R&D”) make Kodak solutions a smart investment for customers looking to improve their profitability and drive growth.

Revenue decreased $94 million and $118 million when compared to the prior year quarter and year-to-date periods, respectively, (31% and 20%, respectively), including the unfavorable impact of currency ($3 million and $6 million) in the current year quarter and year-to-date periods, respectively.

The film industry and segments within the print industry face competition from digital substitution. Kodak's strategy is to:

- Focus product investment in core competency areas of print and advanced materials, leveraging Kodak's proprietary technologies to deliver technologically advanced products in the product goods packaging, graphic communications, and functional printing markets;

- Grow revenues through a focus on customers across Kodak's print divisions, increasing overall share;

- Promote the use of film and expand the applications of Kodak's film and chemicals to best utilize the existing infrastructure; and

- Continue to streamline processes to drive cost reductions and improve operating leverage.

A discussion of opportunities and challenges related to Kodak's strategy follows:

- The COVID-19 pandemic had a material impact on current quarter and year-to-date sales. The duration and extent of demand declines and then recovery is unclear. Kodak has worked closely with government officials in the jurisdictions where it operates to keep its manufacturing facilities open, but the facilities are generally operating at below normal capacity during the pandemic to date. Kodak has endeavored to address the recommended actions of government and health authorities to protect employees world-wide, with particular measures in place for those working in plants and distribution facilities. Kodak intends to continue to work with government authorities and implement employee safety measures so that the manufacturing and distribution of products during the pandemic can continue. However, uncertainty resulting from the pandemic could result in an unforeseen disruption to Kodak's operations or supply chain. Kodak reduced operating costs, largely beginning in the second quarter of 2020, through the use of temporary furloughs and pay cuts (approximately $12 million) for its employees while operations are being negatively impacted by the COVID-19 pandemic.

- The Company's ABL Credit Agreement matures on May 21, 2021 and the Series A Preferred Stock must be redeemed on November 15, 2021 if not converted prior to then. Additionally, Kodak has significant ongoing cash requirements to fund operations, restructuring programs, pension and other postretirement obligations, and other obligations. Kodak's plans to return to positive cash flow include growing revenues profitably, reducing operating expenses, continuing to simplify the organizational structure, generating cash from selling and leasing underutilized assets and paring investment in new technology by eliminating or delaying product development programs as needed.

- Traditional Printing's digital plate products include traditional digital plates and KODAK SONORA Process Free Plates. SONORA Process Free Plates allow Kodak customers to skip the plate processing step prior to mounting plates on a printing press. This improvement in the printing process saves time and costs for customers. Also, SONORA Process Free Plates reduce the environmental impact of the printing process because they eliminate the use of chemicals (including solvents), water and power that is otherwise required to process a traditional plate. While traditional digital plate offerings are experiencing pricing pressure, innovations in Kodak product lines which command premium prices, such as SONORA Process Free Plates, are expected to offset some of the long-term price erosion in the market and manufacturing efficiencies, excluding the negative impacts during the COVID-19 pandemic, are expected to mitigate the impact of revenue declines on earnings. Traditional Printing revenues accounted for approximately 56% and 57% of Kodak's revenues for the three and six months ended June 30, 2020. Traditional Printing's revenues decreased $62 million (34%) and $74 million (21%) compared with the prior year quarter and year-to-date periods, respectively, including the unfavorable impact of currency ($2 million and $4 million, respectively), primarily reflecting volume and pricing declines. Segment earnings declined by $8 million (89%) and $13 million (87%) compared to the prior year quarter and year-to-date periods, respectively, reflecting the impact of reduced volumes on manufacturing costs and revenue partially offset by operating cost reductions through the use of temporary furloughs and pay cuts.

  None of the Traditional Printing segment's manufacturing facilities were ordered to close by governmental authorities. Many of the segment's customers around the globe continued to operate, but at decreased volumes. Therefore, demand for the segment's products declined. The Traditional Printing segment may also be impacted by supply chain disruptions and travel restrictions. With the decline in customer demand, manufacturing volumes were reduced. The duration and extent of demand declines and then recovery is unclear. Manufacturing employees are being temporarily furloughed, as necessary, under reduced production plans. The segment is utilizing furloughs and pay-cuts for non-manufacturing employees in a way which will allow continued operation and product development.

- In Digital Printing, the legacy VERSAMARK business is expected to continue to decline as a percentage of the segment's total revenue as the PROSPER business grows. The PROSPER Inkjet Systems business is expected to continue to build profitability, excluding the negative impacts during the COVID-19 pandemic. Investment in the next generation technology, Ultrastream, is focused on the ability to place Ultrastream writing systems in original equipment manufacturers and hybrid applications. Digital Printing's revenues decreased $17 million (25%) and $24 million (17%) compared with the prior year quarter and year-to-date periods, respectively, primarily reflecting volume declines. Segment loss improved by $1 million compared to each of the prior year quarter (25%) and year-to-date periods (17%), respectively.

None of the Digital Printing segment's manufacturing facilities were ordered to close by governmental authorities. Many of the segment's customers around the globe continued to operate, but at decreased volumes. Therefore, demand for the segment's products declined. The Digital Printing segment may also be impacted by supply chain disruptions and travel restrictions. With the decline in customer demand, manufacturing volumes were reduced. The duration and extent of demand declines and then recovery is unclear. Manufacturing employees are being temporarily furloughed, as necessary, under reduced production plans. The segment is utilizing furloughs and pay-cuts for non-manufacturing employees in a way which will allow continued operation and product development.

- Advanced Materials and Chemicals revenues declined $14 million (27%) and $20 million (20%) compared with the prior year quarter and year-to-date periods, respectively. The segment loss improved $1 million (13%) and $2 million (11%) compared to the prior year quarter and year-to-date periods, respectively, due to price increases on professional and consumer still photographic film and solvents as well as operating cost reductions. Kodak plans to continue promoting the use of film and chemicals to utilize as much manufacturing capacity as possible.

  Advanced Materials and Chemicals experienced adverse impacts from the COVID-19 pandemic in the second quarter of 2020, most notably in Motion Picture where the industry has been heavily impacted and productions in affected regions have been suspended. None of the Advanced Materials and Chemicals segment's manufacturing facilities were ordered to close by governmental authorities. However, each of the segment's product lines was impacted by lowered demand and may also be impacted by supply chain disruptions and travel restrictions. The duration and extent of demand declines and then recovery is unclear. Manufacturing volumes were reduced due to the customer demand decline in the near-term. Manufacturing employees are being temporarily furloughed, as necessary, under reduced production plans.

- In connection with exploring an expansion of its chemical operations which currently produces unregulated key starting materials ("KSMs") for pharmaceuticals, Kodak applied for a loan from the U.S. International Development Finance Corporation (the "DFC") to support the launch of Kodak Pharmaceuticals, an initiative that would manufacture pharmaceutical ingredients for essential generic drugs. On July 28, 2020, the DFC announced the signing of a non-binding letter of interest to provide a subsidiary of the Company with a potential $765 million loan (the "DFC Loan"), indicating Kodak's successful completion of DFC's initial screening, which would be followed by standard due diligence conducted by the DFC before financing is formally committed. As further described under Part II, Item 1A. Risk Factors, there can be no assurances that the DFC Loan will be approved or made. If the DFC Loan is not made, Kodak intends to continue organic expansion of its KSM production at Eastman Business Park in Rochester, New York while attempting to obtain necessary cGMP and FDA certification to make regulated KSMs and active pharmaceutical ingredients ("APIs"). Depending on its assessment of the business opportunity and availability of capital, Kodak may also explore alternative means to expand its chemical manufacturing operations for purposes of producing KSMs and APIs.

- Film and related component manufacturing operations and Kodak Research Laboratories utilize capacity at Eastman Business Park, which helps cost absorption for both Kodak operations and tenants at Eastman Business Park.

- Kodak plans to capitalize on its intellectual property through new business or licensing opportunities in 3D printing materials, smart material applications, and printed electronics markets.

CURRENT KODAK OPERATING MODEL AND REPORTING STRUCTURE

Change in Segments

Effective January 1, 2020 Kodak changed its organizational structure. Prepress Solutions, formerly part of the Print Systems segment, now operates as a separate segment named the Traditional Printing segment. Electrophotographic Printing Solutions, formerly part of the Print Systems segment, was combined with the Enterprise Inkjet Systems segment and Kodak Software segment to form the Digital Printing segment. The Brand, Film and Imaging segment, except for the licensing of the Kodak brand to third parties, was combined with the Advanced Materials and 3D Printing segment to form the Advanced Materials and Chemicals segment. The licensing of the Kodak brand to third parties operates as a separate segment named the Brand segment. The Eastman Business Park segment is no longer a reportable segment. A description of the reportable segments follows.

REPORTABLE SEGMENTS

Kodak has four reportable segments: Traditional Printing, Digital Printing, Advanced Materials and Chemicals and Brand. The balance of Kodak's continuing operations, which do not meet the criteria of a reportable segment, are reported in All Other and primarily represent the Eastman Business Park operations.

Traditional Printing

The Traditional Printing segment is comprised of Prepress Solutions, which includes Kodak's digital offset plate offerings and computer-to-plate imaging solutions. The Traditional Printing segment provides digital and traditional product and service offerings to a variety of commercial industries, including commercial print, direct mail, book publishing, newspapers and magazines and packaging.

While the businesses in this segment are experiencing competitive pricing pressures, innovations in Kodak product lines that can command premium prices offset some of the long-term market price erosion. Additionally, Kodak seeks to mitigate the impact of market dynamics on pricing and volume pressures and of increases in manufacturing costs, including aluminum prices, through a combination of price increases, commodity contracts, improved production efficiency and cost reduction initiatives. In January 2019, Kodak received exemptions from U.S. tariffs on aluminum. The U.S. aluminum tariffs are still in place and Kodak's exemptions continue.

Prepress Solutions capitalizes on a contract-based, stable and recurring cash flow-generative business model. The average duration of customer contracts is two years. These contracts offer stability and generate recurring revenue. The core of the business is the manufacturing of aluminum digital printing plates of varying sizes. These plates can be as small as 23cm x 27cm and as large as 126cm x 287cm. Unexposed plates are sold to commercial printing companies for use in the offset printing process. Kodak also manufactures equipment, known as Computer to Plate ("CTP") equipment, which images the plates with a laser. The plates are used in the offset printing process, which transfers ink from the plate onto a rubber blanket and then onto the substrate to be printed. Due to the nature of the imaging and printing process, a new plate must be used for each printing run. As a result, there is a recurring revenue stream from the sale of these plates.

The Traditional Printing products and services are sold globally to customers through both a direct sales team as well as indirectly through dealers.

Prepress Solutions:

- Digital offset plates includes KODAK SONORA Process Free Plates. KODAK SONORA Process Free Plates are prepared directly with a CTP thermal output device and do not require subsequent processing chemistry, processing equipment or chemical disposal. As a result, the plates deliver cost savings and efficiency for customers and promote environmental sustainability practices.

- CTP output devices that are used by customers to transfer images onto aluminum offset printing plates and provide consistent and high-quality imaging for offset press applications. CTP products provide high resolution, consistency and stability in thermal imaging. Kodak also offers a lower cost CTP system using TH5 imaging technology, which provides a highly efficient and cost-effective imaging solution at a lower price point.

The Traditional Printing segment also provides service and support related to these products.

Digital Printing

The Digital Printing segment contains Electrophotographic Printing Solutions, Prosper, Versamark and Software. Digital Printing products include high-quality digital printing solutions using electrically charged toner-based technology, production press systems, consumables (primarily ink), inkjet components, software and services. Digital Printing products are distributed directly by Kodak and indirectly through dealers.

Electrophotographic Printing Solutions:

- NEXFINITY printers produce high-quality, differentiated printing of short-run, personalized print applications, such as direct mail, books, marketing collateral and photo products.

- DIGIMASTER printers use monochrome electrophotographic printing technology for transactional printing, short-run books, corporate documentation, manuals and direct mail. Kodak has ceased manufacturing Digimaster printers but continues to sell consumables into the installed base.

Prosper:

- The Prosper business product offerings, including the PROSPER Press systems and PROSPER Components, feature ultrafast inkjet droplet generation. This includes the PROSPER 6000 Press, which delivers a continuous flow of ink that enables constant and consistent operation, with uniform ink droplet size and accurate placement, even at very high print speeds. Applications of the PROSPER Press include publishing, commercial print, direct mail and packaging. PROSPER System Components are integrated into original equipment manufacturer (“OEM”) partner products and systems. Sales of equipment that incorporate the PROSPER Writing Systems result in recurring revenue from sales of ink and other consumables and equipment service. The level of recurring revenue depends on the application for which the equipment is used, which drives the total number of pages printed and, therefore, the amount of ink usage. The business model is further supplemented by consumption of other consumables including refurbished jetting modules and service.

- The focus of the Prosper business is on developing the next generation platform, Ultrastream, with solutions that place writing systems in OEMs as well as direct sale press products that widens its reach into applications for packaging and décor and expands the substrate range to include plastics. The Prosper business closed on the first sale of an Ultrastream writing system for use in a packaging application in December of 2019 with Uteco Group. Uteco Group has integrated Ultrastream in a packaging press solution.

- The Prosper business includes Kodak Print Services. Kodak Print Services prints the Jersey Evening Post as well as the majority of U.K. national newspapers for distribution in both Jersey and Guernsey islands. The business is used to demonstrate the value of the Kodak Prosper presses to customers around the world.

Versamark:

- The KODAK VERSAMARK Products are the predecessor products to the PROSPER business. Kodak has ceased manufacturing VERSAMARK Press Systems. Users of KODAK VERSAMARK products continue to purchase ink and other consumables as well as related service from Kodak. Applications of the VERSAMARK products include publishing, transactional, commercial print and direct mail.

Software

- The Software business offers a leading suite of solutions for print production workflow, including the PRINERGY workflow production software, by providing customer value through automation, web integration and integration with other Kodak products and third-party offerings. Production workflow software is used by customers to manage digital and conventional print content from file creation to output. Production workflow software manages content and color, reduces manual errors and helps customers manage the collaborative creative process. Kodak believes it is a leader in production workflow solutions for the commercial print and packaging industries with over 15,000 systems installed in some of the largest printing and packaging establishments around the world

- The Software business includes digital front-end controllers which manage the delivery of personalized content to digital presses while controlling color and print consistency.

Advanced Materials and Chemicals

The Advanced Materials and Chemicals segment is comprised of four lines of business: Industrial Film and Chemicals, Motion Picture, Advanced Materials and Functional Printing and Kodak Services for Business (“KSB”). Kodak’s Advanced Materials and Chemicals products are distributed directly by Kodak and indirectly through dealers. Kodak Alaris, a professional and consumer still photographic film and chemicals customer, represented approximately 20% of total Advanced Materials and Chemicals segment revenues in 2019.

Industrial Film and Chemicals:

- Offers industrial film, including films used by the electronics industry to produce printed circuit boards, as well as professional and consumer still photographic film.

- Includes related component businesses: Polyester Film; Solvent Recovery; and Specialty Chemicals.

- Offers specialty inks and dispersions to third parties.

- Includes Consumer Inkjet Solutions. Starting in 2013, Kodak stopped manufacturing consumer inkjet printers and focused on the sale of ink to its installed printer base. Kodak’s final build of ink inventory was depleted in the second quarter of 2020.

Motion Picture:

- Includes the motion picture film business serving the entertainment industry. Motion picture products are sold directly to studios, external laboratories and independent filmmakers.

- Kodak motion picture film processing laboratories offering onsite processing services at strategic locations in the U.S. and Europe.

Advanced Materials and Functional Printing

- *Advanced Materials*

    - Advanced Materials develops solutions for component smart materials based on the materials science inventions and innovations from the research laboratories. There are multiple applications that Kodak contemplates addressing in this category. Currently, the primary focus is on light blocking particles (Kodalux) for the textile market. In addition, a specialty material is manufactured by this group for use by a 3D printing customer.

- *Functional Printing:*

    - Functional Printing concentrates on contract manufacturing, development partnerships, and/or licensing opportunities in very high-resolution 3D printing solutions such as printed electronics. Also, a portfolio of products is offered to enable others to utilize functional printing.

- *IP Licensing:*

    - Kodak actively seeks opportunities to leverage its patents and associated technology in licensing and/or cross-licensing deals to support both revenue growth and its ongoing businesses. While revenues from these licensing activities tend to be unpredictable in nature, this segment still carries the potential for revenue generation from intellectual property licensing and new materials businesses.

- *Kodak Services for Business*:

    - KSB assists organizations with challenges and opportunities created by the worldwide digital transformation. It provides business process outsourcing services, scan and capture solutions, records conversion services, workflow solutions, content management, and print and managed media services that assist customers with solutions that meet their business requirements. KSB has expertise in the capture, archiving, retrieval and delivery of documents including in depth knowledge of handling legacy media. KSB serves enterprise customers primarily in the banking, insurance and government sectors. Sales in KSB are project-based and can vary from year to year depending on the nature and number of projects in existence that year. KSB currently operates exclusively in Asia, primarily in China and Hong Kong.

- *Kodakit*

    - Kodakit was a platform that connected businesses with professional photographers to cater to their photography needs. Customers included global hotels and online travel agencies, real estate companies, marketplaces, advertising agencies and global brands.

    - Kodak decided to discontinue the operations of Kodakit in October 2019.

Brand

The Brand segment Includes licensing of the Kodak brand to third parties. Kodak currently licenses its brand for use with a range of products including batteries, digital and instant print cameras and camera accessories, printers, and LED lighting. Kodak intends to continue efforts to grow its portfolio of brand licenses to generate both ongoing royalty streams and upfront payments. Brand licensees use the Kodak brand on their products and use their own distribution channels.

Segment Revenues

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Traditional Printing	$ 119	$ 181	$ 273	$ 347
Digital Printing	52	69	117	141
Advanced Materials and Chemicals	38	52	80	100
Brand	2	2	5	5
All Other	2	3	5	5
Consolidated total	$ 213	$ 307	$ 480	$ 598

Segment Operational EBITDA and Consolidated Income (Loss) from Continuing Operations Before Income Taxes

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Traditional Printing	$ 1	$ 9	$ 2	$ 15
Digital Printing	(3)	(4)	(5)	(6)
Advanced Materials and Chemicals	(7)	(8)	(16)	(18)
Brand	2	2	4	3
All Other	1	—	—	(1)
Depreciation and amortization	(10)	(14)	(20)	(29)
Restructuring costs and other	(1)	(2)	(8)	(4)
Stock based compensation	—	(2)	(1)	(5)
Consulting and other costs (1)	(1)	(2)	(1)	(5)
Idle costs (2)	(1)	(2)	(1)	(3)
Former CEO separation agreement compensation	—	—	—	(2)
Other operating (loss) income, net, excluding income from transition services agreement (3)	—	(2)	6	(2)
Interest expense (4)	(4)	(5)	(8)	(8)
Pension income excluding service cost component (4)	27	26	53	53
Other (charges) income, net (4)	(8)	—	45	(1)
Consolidated (loss) income from continuing operations before income taxes	$ (4)	$ (4)	$ 50	$ (13)

(1) Consulting and other costs are primarily professional services and internal costs associated with certain corporate strategic initiatives.

(2) Consists of costs such as security, maintenance and utilities required to maintain land and buildings in certain locations not used in any Kodak operations and the costs, net of any rental income received, of underutilized portions of certain properties.

(3) $2 million of income from the transition services agreement with the Purchaser was recognized in the three months ended June 30, 2020 and the three and six months ended June 30, 2019. $4 million of income from the transition services agreement was recognized in the six months ended June 30, 2020. The income was reported in Other operating (loss) income, net in the Consolidated Statement of Operations. Other operating income, net is typically excluded from the segment measure. However, the income from the transition services agreement was included in the segment measure.

(4) As reported in the Consolidated Statement of Operations.

Segment Measure of Profit and Loss

Kodak's segment measure of profit and loss is an adjusted earnings before interest, taxes, depreciation and amortization ("Operational EBITDA"). Operational EBITDA represents the earnings (loss) from continuing operations excluding the provision for income taxes; non-service cost components of pension and OPEB income; depreciation and amortization expense; restructuring costs; stock-based compensation expense; consulting and other costs; idle costs; former CEO separation agreement compensation; other operating (loss) income, net (unless otherwise indicated); interest expense; and other (charges) income, net.

Kodak's segments are measured using Operational EBITDA both before and after the allocation of corporate SG&A expenses. The segment earnings measure reported is after allocation of corporate SG&A as this most closely aligns with U.S. GAAP. Research and development activities not directly related to the other segments are reported within the Advanced Materials and Chemicals segment.

2020 COMPARED WITH 2019
SECOND QUARTER RESULTS OF OPERATIONS

	Three Months Ended June 30,					Six Months Ended June 30,				
(in millions)	2020	% of Sales	2019	% of Sales	$ Change	2020	% of Sales	2019	% of Sales	$ Change
Revenues	$ 213		$ 307		$ (94)	$ 480		$ 598		$ (118)
Cost of revenues	192		265		(73)	423		516		(93)
Gross profit	21	10%	42	14%	(21)	57	12%	82	14%	(25)
Selling, general and administrative expenses	34	16%	54	18%	(20)	82	17%	113	19%	(31)
Research and development costs	8	4%	11	4%	(3)	17	4%	22	4%	(5)
Restructuring costs and other	1	0%	2	1%	(1)	8	2%	4	1%	4
Other operating income, net	(3)	(1)%	—	0%	(3)	(10)	(2)%	—	0%	(10)
Loss from continuing operations before interest expense, other (income) charges, net and income taxes	(19)	(9)%	(25)	(8)%	6	(40)	(8)%	(57)	(10)%	17
Interest expense	4	2%	5	2%	(1)	8	2%	8	1%	—
Pension income excluding service cost component	(27)	(13)%	(26)	(8)%	(1)	(53)	(11)%	(53)	(9)%	—
Other charges (income), net	8	4%	0	0%	8	(45)	(9)%	1	0%	(46)
(Loss) income from continuing operations before income taxes	(4)	(2)%	(4)	(1)%	—	50	10%	(13)	(2)%	63
Provision for income taxes	1	0%	2	1%	(1)	166	35%	5	1%	161
Loss from continuing operations	(5)	(2)%	(6)	(2)%	1	(116)	(24)%	(18)	(3)%	(98)
Income from discontinued operations, net of income taxes	—	0%	207	67%	(207)	—	0%	201	34%	(201)
Net (loss) income	$ (5)	(2)%	$ 201	65%	$ (206)	$ (116)	(24)%	$ 183	31%	$ (299)

Revenue

Current Quarter
For the three months ended June 30, 2020 revenues declined $94 million compared with the same period in 2019, driven by volume declines and unfavorable pricing within Traditional Printing ($57 million and $3 million, respectively), volume declines in Advanced Materials and Chemicals and Digital Printing ($19 million and $18 million, respectively) and unfavorable foreign currency ($2 million). The revenue declines were offset by improved pricing and product mix in Advanced Materials and Chemicals ($4 million) and favorable mix of products in Digital Printing ($2 million). See segment discussions for additional details.

Year-to-Date
For the six months ended June 30, 2020 revenues declined $118 million compared with the same period in 2019, driven by volume declines and unfavorable pricing and product mix within Traditional Printing ($62 million and $8 million, respectively), volume declines in Advanced Materials and Chemicals and Digital Printing ($29 million and $28 million, respectively) and unfavorable foreign currency ($5 million). The revenue declines were offset by improved pricing and product mix in Advanced Materials and Chemicals ($8 million) and favorable mix of products in Digital Printing ($5 million). See segment discussions for additional details.

Gross Profit

Current Quarter
Gross profit for the three months ended June 30, 2020 declined approximately $21 million compared with the same period in 2019 reflecting volume declines, unfavorable pricing and product mix as well as increased costs in Traditional Printing ($7 million, $4 million and $5 million, respectively), volume declines and increased costs in Advanced Materials and Chemicals (each $5 million) and volume declines in Digital Printing ($3 million) partially offset by favorable pricing and product mix in Advanced Materials and Chemicals ($4 million) and lower depreciation and amortization expenses ($4 million). See segment discussions for additional details.

Year-to-Date
Gross profit for the six months ended June 30, 2020 declined approximately $25 million compared with the same period in 2019 reflecting volume declines, unfavorable pricing and product mix as well as increased costs in Traditional Printing ($7 million, $10 million and $7 million, respectively), volume declines and increased costs Advanced Materials and Chemicals ($8 million and $7 million, respectively) and volume declines and unfavorable costs in Digital Printing ($4 million and $5 million, respectively) partially offset by favorable pricing and product mix in Advanced Materials and Chemicals ($9 million), favorable mix of products in Digital Printing ($3 million) and lower depreciation and amortization expenses ($9 million). See segment discussions for additional details.

Selling, General and Administrative Expenses
Consolidated SG&A decreased $20 million and $31 million for the three and six month periods ended June 30, 2020, respectively, primarily due to lower investment in segment selling and marketing activities driven by cost reduction efforts ($18 million for the quarter and $22 million year-to-date), and lower consulting and project costs ($2 million for the quarter and $4 million for the year). The temporary furloughs and pay cuts in the current quarter provided approximately $3 million of the $18 million savings in the three months ending June 30, 2020. The six-month period ended June 30, 2019 also included $2 million of compensation related to the former CEO separation agreement while the six-month period ending June 30, 2020 included increased bad debt expense due to increased collection risk related to the COVID-19 pandemic ($3 million).

Research and Development Costs
Consolidated R&D expenses decreased $3 million and $5 million for the quarter and year-to-date periods ended June 30, 2020, respectively, primarily due to cost reduction efforts.

Other Charges (Income), Net
The change in Other charges (income) was primarily driven by the embedded conversion features derivative liability associated with the Convertible Notes. Refer to Note 15, “Other Charges (Income), Net” and Note 24, “Financial Instruments”.

Provision for Income Taxes
The Provision for income taxes in the year-to-date period was primarily driven by the $167 million provision associated with the establishment of a valuation allowance on deferred tax assets outside the U.S. Refer to Note 16, “Income Taxes”.

Income from Discontinued Operations
The Income from discontinued operations in the prior year periods primarily represents the gain recognized on the sale of the FPD business in April 2019. Refer to Note 23, “Discontinued Operations”.

TRADITIONAL PRINTING SEGMENT

(in millions)	Three Months Ended June 30, 2020	2019	$ Change	Six Months Ended June 30, 2020	2019	$ Change
Revenues	$ 119	$ 181	$ (62)	$ 273	$ 347	$ (74)
Operational EBITDA	$ 1	$ 9	$ (8)	$ 2	$ 15	$ (13)
Operational EBITDA as a % of revenues	1%	5%		1%	4%	

Revenues

Current Quarter
The decrease in Traditional Printing revenues for the three months ended June 30, 2020 of approximately $62 million reflected volume and pricing declines ($50 million and $4 million, respectively) in Prepress Solutions consumables, volume declines in Prepress Solutions service ($3 million) and Prepress equipment ($3 million) and unfavorable foreign currency ($2 million). The volume declines were primarily driven by COVID-19 pandemic related declines in customer demand.

Year-to-Date
The decrease in Traditional Printing revenues for the six months ended June 30, 2020 of approximately $74 million primarily reflected volume and pricing declines ($54 million and $9 million, respectively) in Prepress Solutions consumables, volume declines in Prepress Solutions service ($3 million) and Prepress equipment ($5 million) and unfavorable foreign currency ($4 million) offset by favorable pricing and product mix ($2 million) in Prepress equipment. The volume declines were primarily driven by COVID-19 pandemic related declines in customer demand.

Operational EBITDA

Current Quarter
Traditional Printing Operational EBITDA for the three months ended June 30, 2020 declined $8 million reflecting volume and pricing declines ($6 million and $4 million, respectively) in Prepress Solutions consumables, volume declines in Prepress service ($1 million), and higher manufacturing costs ($7 million) driven by unfavorable cost absorption from the volume declines partially offset by lower SG&A expenses ($8 million) and lower aluminum costs in the current year ($2 million).

Year-to-Date
Traditional Printing Operational EBITDA for the six months ended June 30, 2020 declined $13 million primarily due to volume and pricing declines ($6 million and $9 million, respectively) in Prepress Solutions consumables, volume declines in Prepress service ($2 million), higher manufacturing costs driven by unfavorable cost absorption from the volume declines ($9 million), aluminum tariff refunds received in 2019 ($2 million) and an increase in bad debt expense ($2 million) partially offset by lower SG&A expenses ($12 million) and lower aluminum costs in the current year ($4 million).

During 2018 U.S. tariffs imposed on aluminum purchases were included as part of the cost of printing plates sold. In January 2019, Kodak received retroactive exemptions from U.S. tariffs on aluminum. Due to the exemptions, all aluminum tariffs paid by Kodak in prior periods were recognized as a cost reduction in the prior year-to-date period.

DIGITAL PRINTING SEGMENT

(in millions)	Three Months Ended June 30, 2020	2019	$ Change	Six Months Ended June 30, 2020	2019	$ Change
Revenues	$ 52	$ 69	$ (17)	$ 117	$ 141	$ (24)
Operational EBITDA	$ (3)	$ (4)	$ 1	$ (5)	$ (6)	$ 1
Operational EBITDA as a % of revenues	(6)%	(6)%		(4)%	(4)%	

Revenues

Current Quarter
The decline in Digital Printing revenues for the three months ended June 30, 2020 of approximately $17 million primarily reflected volume declines in Electrophotographic Printing Solutions consumables and service ($11 million), Electrophotographic Printing Solutions equipment ($2 million) and PROSPER consumables and service ($4 million) which were driven by the decline in customer demand with the COVID-19 pandemic. There were also volume declines in VERSAMARK service and consumables ($3 million) due to both declines in the installed base of VERSAMARK systems and the COVID 19 pandemic. The impact of the volume declines was partially offset by improved volume in PROSPER components ($4 million).

Year-to-Date
The decline in Digital Printing revenues for the six months ended June 30, 2020 of approximately $24 million primarily reflected volume declines in Electrophotographic Printing Solutions consumables and service ($15 million), Electrophotographic Printing Solutions equipment ($4 million), PROSPER consumables and service ($4 million) and PROSPER systems ($1 million) which were driven by the decline in customer demand with the COVID-19 pandemic. There were also volume declines in VERSAMARK service and consumables ($6 million) due to both declines in the installed base of VERSAMARK systems and the COVID 19 pandemic. The impact of the volume declines was partially offset by improved volume in PROSPER components ($5 million) and improved pricing in PROSPER components and PROSPER systems (each $1 million).

Operational EBITDA

Current Quarter
Digital Printing Operational EBITDA for the three months ended June 30, 2020 improved $1 million driven by higher manufacturing costs in Electrophotographic Printing Solutions ($3 million), volume declines in Electrophotographic Printing Solutions consumables and service ($2 million), PROSPER consumables and service ($2 million) and VERSAMARK service and consumables ($1 million) offset by improved volume in PROSPER components ($2 million), inventory write-downs driven by pricing declines in PROSPER systems in the prior year quarter ($2 million) and lower SG&A costs ($5 million).

Year-to-Date
Digital Printing Operational EBITDA for the six months ended June 30, 2020 improved $1 million driven by higher manufacturing costs in Electrophotographic Printing Solutions ($6 million), volume declines in Electrophotographic Printing Solutions consumables and service ($3 million), PROSPER consumables and service ($2 million) and VERSAMARK service and consumables ($2 million) offset by improved volume in PROSPER components ($3 million), volume improvements in Electrophotographic Printing Solutions equipment ($1 million), improved pricing in PROSPER systems ($2 million) and PROSPER components ($1 million) and lower SG&A costs ($6 million).

ADVANCED MATERIALS AND CHEMICALS SEGMENT

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	2020	2019	$ Change	2020	2019	$ Change
Revenues	$ 38	$ 52	$ (14)	$ 80	$ 100	$ (20)
Operational EBITDA	$ (7)	$ (8)	$ 1	$ (16)	$ (18)	$ 2
Operational EBITDA as a % of revenues	(18)%	(15)%		(20)%	(18)%	

Revenues

Current Quarter
Advanced Materials and Chemicals revenues for the three months ended June 30, 2020 declined $14 million primarily from volume declines in Motion Picture ($10 million) driven by productions halted as a result of the COVID 19 pandemic, Industrial Film and Chemicals ($5 million) primarily due to the COVID-19 pandemic's impacts on its customers and Consumer Inkjet Solutions ($2 million) driven by lower sales of ink to the existing installed base of printers. Additionally, current year revenues for Kodak Services for Business declined ($2 million) primarily due to operations in Asia being impacted by the COVID-19 pandemic, and the prior year period included revenues from Kodakit ($1 million) which ceased operating in January 2020. Partially offsetting these impacts was improved pricing in Industrial Film and Chemicals ($4 million) driven by higher pricing for solvents and professional and consumer still photographic film.

Year-to-Date
Advanced Materials and Chemicals revenues for the six months ended June 30, 2020 declined $20 million primarily from volume declines in Motion Picture ($12 million) driven by productions halted as a result of the pandemic, Industrial Film and Chemicals ($6 million) primarily due to COVID-19 pandemic's impacts on its customers, and Consumer Inkjet Solutions ($4 million) driven by lower sales of ink to the existing installed base of printers. Additionally, current year revenues for Kodak Services for Business declined ($4 million) primarily due to operations in Asia being impacted by the COVID-19 pandemic, and the prior year period included revenues from Kodakit ($3 million) which ceased operations in January 2020. Partially offsetting these impacts was improved pricing and improved product mix in Industrial Film and Chemicals ($8 million) driven by higher pricing and favorable product mix in professional and consumer still photographic film and higher pricing for solvents.

Operational EBITDA

Current Quarter
Advanced Materials and Chemicals Operational EBITDA improved $1 million for the three months ended June 30, 2020 primarily due to favorable pricing ($4 million) in Industrial Film and Chemicals.

Also contributing were lower selling and administrative expenses ($4 million), and lower R&D costs ($2 million). Partially offsetting were volume declines in Motion Picture ($3 million), Consumer Inkjet Solutions ($1 million) and Industrial Film and Chemicals ($1 million), as well as unfavorable cost impacts in Industrial Film and Chemicals ($3 million) and Motion Picture ($2 million) driven by unfavorable cost absorption.

Year-to-Date
Advanced Materials and Chemicals Operational EBITDA improved $2 million for the six months ended June 30, 2020 primarily due to favorable pricing and improved product mix ($8 million) in Industrial Film and Chemicals. Also contributing were lower selling and administrative expenses ($7 million) and lower R&D costs ($2 million). Partially offsetting were volumes declines in Motion Picture ($4 million), Industrial Film and Chemicals ($2 million) and Consumer Inkjet Solutions ($2 million) as well as unfavorable cost impacts in Industrial Film and Chemicals ($5 million) and Motion Picture ($1 million) driven by unfavorable cost absorption.

BRAND SEGMENT

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	2020	2019	$ Change	2020	2019	$ Change
Revenues	$ 2	$ 2	$ —	$ 5	$ 5	$ —
Operational EBITDA	$ 2	$ 2	$ —	$ 4	$ 3	$ 1
Operational EBITDA as a % of revenues	100%	100%		80%	60%	

Revenues
Brand revenues and EBITDA for the three and six months ended June 30, 2020 remained relatively flat compared to the prior year quarter and year-to-date periods.

RESTRUCTURING COSTS AND OTHER

Kodak recorded $1 million and $8 million of charges for the three and six months ended June 30, 2020, respectively, in Restructuring costs and other in the Consolidated Statement of Operations.

Kodak made cash payments related to restructuring of approximately $3 million and $10 million during the three and six months ended June 30, 2020, respectively.

The restructuring actions implemented in the first six months of 2020 are expected to generate future annual cash savings of approximately $9 million. These savings are expected to reduce future annual Cost of revenues and SG&A expenses by $1 million and $8 million, respectively. Kodak began realizing a portion of these savings in the first six months of 2020 and expects the majority of the annual savings to be in effect by the end of the year as actions are completed.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES UPDATE

Updates to critical accounting policies and estimates in Kodak's 2019 Annual Report on Form 10-K are presented in this section. Refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2019 Annual Report on Form 10-K for a complete discussion of all Kodak's critical accounting policies.

Valuation and Useful Lives of Long-Lived Assets, Including Goodwill and Intangible Assets
Goodwill is tested for impairment at a level of reporting referred to as a reporting unit, which is an operating segment or one level below an operating segment (a component) if the component constitutes a business for which discrete financial information is available and regularly reviewed by segment management. As a result of the change in segments that became effective as of January 1, 2020, Kodak's goodwill reporting units changed. The Digital Printing segment has three goodwill reporting units: Electrophotographic Printing Solutions, Prosper and Versamark, and Software. The Advanced Materials and Chemicals segment has three goodwill reporting units: Motion Picture and Industrial Films and Chemicals, Advanced Materials and Functional Printing and Kodak Services for Business. The Traditional Printing segment, Brand segment and Eastman Business Park segment each have one goodwill reporting unit.

As of December 31, 2019, the goodwill balance of $12 million under the prior year segment reporting structure was comprised of $6 million for the Brand, Film and Imaging segment and $6 million for the Kodak Software segment, which had only one reporting unit (Software). The goodwill in the Brand, Film and Imaging segment was reported in the Consumer Products reporting unit.

The goodwill previously reported in the Consumer Products goodwill reporting unit was transferred to the Brand goodwill reporting unit using a relative fair value allocation to affected reporting units. Goodwill previously reported in the Software reporting unit was transferred to the Digital Printing segment and continues to remain its own reporting unit.

Kodak performed interim tests of impairment for goodwill as of June 30, 2020 due to the continued uncertainty regarding the negative impact of the COVID-19 pandemic on its operations, and as of March 31, 2020, due to the decline in market capitalization as of that date since the last goodwill impairment test (December 31, 2019) and the uncertainty regarding the negative impact of the COVID-19 pandemic at that time. Kodak utilized the discounted cash flow method to estimate the fair value of all reporting units for both tests. Kodak established an estimate of future cash flows for the period ranging from July 1, 2020 to December 31, 2024 for the June 30, 2020 interim test, and April 1, 2020 to December 31, 2024 for the March 31, 2020 interim test. The future cash flows were discounted to present value. The expected cash flows were derived from earnings forecasts and assumptions regarding the timing and impact of the COVID-19 pandemic on each reporting unit as of each applicable interim test date. 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 16% to 55% were utilized in the June 30, 2020 valuation, and 21% to 55% for the March 31, 2020 valuation, both based on Kodak's best estimates of the after-tax weighted-average cost of capital of each reporting unit as of the applicable valuation date.

A terminal value was included for all 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 was calculated using either the constant growth method based on the cash flows of the final year of the discrete period or the H-model, which assumes the growth during the terminal period starts at a higher rate and declines in a linear manner over a specified transition period toward a stable growth rate.

Based upon the results of Kodak's June 30, 2020 and March 31, 2020 analyses, no impairment of goodwill was indicated. Impairment of goodwill could occur in the future if a reporting unit's fair value changes significantly, if Kodak's market capitalization significantly declines, if a reporting unit's carrying value changes materially compared with changes in its fair value, or as a result of changes in operating segments or reporting units.

Kodak updated the fair value of the Kodak trade name as of June 30, 2020 and March 31, 2020. The fair value of 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 July 1, 2020 to December 31, 2024 for the June 30, 2020 interim test, and April 1, 2020 to December 31, 2024 for the March 31, 2020 interim test, both valuations included a terminal year with growth rates ranging from -3% to 2.5% (b) an after-tax royalty rate of 0.4% of expected net sales, and (c) discount rates ranging from 16% to 25% for the June 30, 2020 interim test, and 23% to 32% for the March 31, 2020 interim test. The discount rates are based on the after-tax weighted-average cost of capital.

Based on the results of Kodak's March 31, 2020 assessment, the carrying value of the Kodak trade name exceeded its fair value and Kodak recorded a pre-tax impairment charge of $3 million.

Based on the results of Kodak's June 30, 2020 assessment, the fair value of the Kodak trade name exceeded its' carrying value. Impairment of the Kodak trade name could occur in the future if estimated revenues decline or if there are significant changes in the discount or royalty rates. A one percent increase in the discount rate and a 10 percent miss in expected revenues would impact the fair value of the Kodak trade name by $2 million as of June 30, 2020.

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, the carrying value of an asset group is compared 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.

Kodak updated its estimate of undiscounted cash flows for each asset group as of June 30, 2020 and March 31, 2020 using a probability weighted approach in determining the likelihood of possible adverse impacts from the COVID-19 pandemic as of each applicable interim test date. Based on the results of the interim impairment tests, no impairment indicators were noted. Impairment of long-lived assets other than goodwill and indefinite lived intangible assets could occur in the future if expected estimated future cash flows decline or if there are significant changes in the estimated useful life of the assets.

LIQUIDITY AND CAPITAL RESOURCES

Kodak is facing liquidity challenges due to operating losses and low or negative cash flow from operations and collateral needs. Kodak has $80 million of letters of credit issued under the ABL Credit Agreement which matures on May 26, 2021. The Series A Preferred Stock must be redeemed on November 15, 2021 if not converted prior to then. Kodak has ongoing significant cash requirements to fund operations, restructuring programs, pension and other postretirement obligations, and other obligations. Kodak's plans to return to sustainable positive cash flow include growing revenues profitably, reducing operating expenses, continuing to simplify the organizational structure, generating cash from selling and leasing underutilized assets and paring investment in new technology by eliminating or delaying product development programs. Additionally, the Company looks to implement ways to reduce collateral needs in the U.S.

Kodak's products are sold and serviced in numerous countries across the globe with more than half of sales generated outside the U.S. Current global economic conditions are highly volatile due to the COVID-19 pandemic, resulting in market size contractions in many countries due to economic slowdowns and government restrictions on movement. The conversion of accounts receivable to cash is taking longer and collection risk has increased since before the pandemic. The economic uncertainty surrounding the COVID-19 pandemic is an additional complexity in Kodak's plans to return to sustainable positive cash flow. To mitigate the economic impacts of the pandemic Kodak is employing temporary furloughs and pay reductions and scaling manufacturing volumes due to reduced volumes. The Company is also seeking to take advantage of any available government incentives around the world in response to the COVID-19 pandemic such as employee related tax deferrals or holidays, wage subsidies and loan programs including those under the U.S. CARES Act, although the Company has not yet been able to take advantage of any loan programs and may not qualify for any loans under the programs created under the U.S. CARES Act. Many of the available government incentives for which the Company qualifies are in the form of deferrals of payments that will be required to be paid in the future.

The recent history of negative operating cash flow, maturity of the ABL Credit Agreement in 2021, redemption date in 2021 for the Series A Preferred Stock, increased challenges in managing cash during the COVID-19 pandemic and general lack of certainty regarding the return to positive cash flow raise substantial doubt about Kodak's ability to continue as a going concern**.**

Refer to the Going Concern section of Note 1, "Basis of Presentation and Recent Accounting Pronouncements"; Note 8, "Debt and Finance Leases," and Note 9, "Redeemable, Convertible Series A Preferred Stock" in the Notes to Financial Statements for further discussion. Refer to Note 2, "Cash, Cash Equivalents and Restricted Cash" for a reconciliation of cash, cash equivalents and restricted cash.

(in millions)	**June 30, 2020**	**December 31, 2019**
Cash, cash equivalents and restricted cash	$ 212	$ 290

Cash Flow Activity

(in millions)	**Six Months Ended June 30, 2020**	**2019**	**Change**
Cash flows from operating activities:			
Net cash used in operating activities	$ (64)	$ (13)	$ (51)
Cash flows from investing activities:			
Net cash (used in) provided by investing activities	(5)	297	(302)
Cash flows from financing activities:			
Net cash used in financing activities	(6)	(294)	288
Effect of exchange rate changes on cash and restricted cash	(3)	1	(4)
Net decrease in cash, cash equivalents, restricted cash and cash in assets held for sale	$ (78)	$ (9)	$ (69)

Operating Activities
Net cash used in operating activities increased $51 million for the six months ended June 30, 2020 as compared with the corresponding period in 2019 primarily due to increased cash use for accounts payable and other liabilities, partially offset by higher reductions of accounts receivable in 2020, and the receipt in 2019 of a $15 million prepayment for transition services, products, and other services as a part of the divestiture of FPD.

Investing Activities
Net cash provided by investing activities decreased $302 million for the six months ended June 30, 2020 as compared with the corresponding period in 2019 due to the proceeds from the sale of FPD in the prior year.

Financing Activities
Net cash used in financing activities in the six months ended June 30, 2020 compares $288 million favorably to the corresponding period in 2019 driven by the prior year repayment of the Term Credit Agreement and the payment of contingent consideration partially offset by the issuance of the Convertible Notes and the proceeds from the RED – Rochester borrowing and the current year payment of preferred stock dividends.

Sources of Liquidity
Available liquidity includes cash balances and the unused portion of the ABL Credit Agreement. The amount of available liquidity is subject to fluctuations and includes cash balances held by various entities worldwide. At June 30, 2020 and December 31, 2019 approximately $95 million and $72 million, respectively, of cash and cash equivalents were held within the U.S. and approximately $85 million and $161 million, respectively, of cash and cash equivalents were held outside the U.S. Cash balances held outside the U.S. are generally required to support local country operations and 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. Kodak utilizes cash balances outside the U.S. to fund needs in the U.S. through the use of inter-company loans. As of June 30, 2020 and December 31, 2019, outstanding inter-company loans to the U.S. were $429 million and $408 million, respectively, which includes short-term inter-company loans from Kodak's international finance center of $130 million and $110 million, respectively**.** In China, where approximately $23 million and $89 million of cash and cash equivalents was held as of June 30, 2020 and December 31, 2019, respectively, there are limitations related to net asset balances that may impact the ability to make cash available to other jurisdictions in the world. On May 12, 2020, a Chinese subsidiary of Kodak transferred approximately $70 million to a U.S. subsidiary of Kodak in anticipation of an inter-company transaction. Under the terms of the ABL Credit Agreement, the Company is permitted to invest up to $100 million in subsidiaries and joint ventures that are not party to the ABL Credit Agreement.

On January 27, 2020 Kodak exercised its right under the ABL Credit Agreement to permanently reduce lender commitments, reducing the commitments from $150 million to $120 million. As a result, the minimum Excess Availability decreased to $15 million from the previous minimum of $18.75 million.

On March 27, 2020, the Company and the Subsidiary Guarantors entered into the Amendment with the Lenders and Bank of America, N.A., as administrative and collateral agent. The Amendment decreased the available asset-based revolving loans (the "ABL Loans") and letters of credit from an aggregate amount of up to $120 million to $110 million, subject to the Borrowing Base.

As a result of the additional reduction in lender commitments, the minimum Excess Availability decreased to $13.75 million from the previous amount of $15 million. The changes provided by the Amendment to the Excess Availability and Equipment Availability combined with increases in Eligible Receivables and Eligible Inventory allowed the Company to decrease Eligible Cash by $13 million without causing Excess Availability to fall below 12.5% of lender commitments.

The Amendment also changed Equipment Availability from (i) the lesser of 75% of Net Orderly Liquidation Value of Eligible Equipment or $6 million to (ii) the lesser of 70% of Net Orderly Liquidation Value of Eligible Equipment or $14.75 million as of March 31, 2020. The Equipment Availability was $14.75 million for June 30, 2020. The $14.75 million amount decreases by $1 million per quarter starting on July 1, 2020 until maturity or the amount is decreased to $0, whichever comes first.

The Company had issued approximately $80 million of letters of credit under the ABL Credit Agreement as of both June 30, 2020 and December 31, 2019. Under the ABL Credit Agreement the Company is required to maintain Excess Availability above 12.5% of lender commitments ($13.75 million at June 30, 2020). If Excess Availability is below 12.5% of lender commitments the Company has the ability to fund amounts into the Eligible Cash account which will increase Excess Availability for purposes of the previous month-end compliance reporting. On July 20, 2020 the Company funded $5 million to the Eligible Cash account. Including the July 20, 2020 Eligible Cash funding in the June 30, 2020 compliance calculation the Company had approximately $17 million of Excess Availability under the ABL Credit Agreement for the June 30, 2020 compliance reporting and $22 million of Excess Availability under the ABL Credit Agreement as of December 31, 2019. To maintain Excess Availability of greater than 12.5% of lender commitments ($13.75 million and $18.75 million as of June 30, 2020 and December 31, 2019, respectively), incremental to the $5 million funding of the Eligible Cash account on July 20, 2020, Kodak funded $9 million and $22 million to the Eligible Cash account held with the ABL Credit Agreement Administrative Agent as of June 30, 2020 and December 31, 2019, respectively, which is classified as Restricted Cash in the Consolidated Statement of Financial Position.

Under the ABL Credit Agreement, if Excess Availability) falls below 12.5% of lender commitments), Kodak would be required to be in compliance with the minimum Fixed Charge Coverage Ratio (the only financial covenant in the ABL Credit Agreement) and could become subject to cash dominion control. In addition to Eligible Cash, the borrowing base is supported by Eligible Receivables, Eligible Inventory and Eligible Equipment. To the extent the assets supporting the borrowing base decline and/or letters of credit issued under the ABL Credit Agreement increase, if the remaining assets included in the borrowing base are not sufficient to support the required Excess Availability amount, funding of Eligible Cash may be required. Eligible Receivables, Eligible Inventory and Eligible Equipment have the meaning ascribed to these terms in the ABL Credit Agreement. Kodak intends to maintain Excess Availability above the minimum threshold. Since Excess Availability was greater than 12.5% of lender commitments the June 30, 2020 month-end compliance reporting date, Kodak is not required to have a minimum Fixed Charge Coverage Ratio of 1.0 to 1.0. As of June 30, 2020 Fixed Charges exceeded EBITDA (as defined in the ABL Credit Agreement) by approximately $27 million, therefore, the Fixed Charge Coverage Ratio was less than 1.0 to 1.0.

As a result of the Company's current credit ratings, in the second quarter two surety bond holders notified the Company they will require approximately $9 million of incremental collateral. The Company reduced the surety bond value by approximately $9 million in July 2020 with an equivalent increase to an existing letter of credit with the New York Workers' Compensation board. The Company could be required to provide up to $3 million of letters of credit to the issuers of certain surety bonds in the future to fully collateralize the bonds.

The holders of Series A Preferred Stock are entitled to cumulative dividends payable quarterly in cash at a rate of 5.5% per annum. Until the third quarter of 2018 all dividends owed on the Series A Preferred Stock were declared and paid when due. No quarterly dividend was declared in the third or fourth quarters of 2018 or the first and second quarters of 2019. The Company declared quarterly cash dividends in the third and fourth quarters of 2019 and the first and second quarters of 2020 that were paid when due. In July 2020, the Company declared and paid the four quarterly dividends that were in arrears in the aggregate amount of $11 million.

On July 28, 2020 the U.S. International Development Finance Corporation signed a non-binding letter of interest to provide up to a $765 million loan to Kodak Pharmaceuticals, Inc. ("KPI"), which is expected to be a wholly owned subsidiary of the Company that will produce pharmaceutical ingredients. The loan would be for facility upgrades and construction, provide working capital, and finance other necessary direct expenditures supporting the launch of KPI.

Due to exercises of stock options primarily by ex-employees, the Company has received approximately $29 million, net of tax payments, starting in July through the date of this filing.

Defined Benefit Pension and Postretirement Plans
Kodak made net contributions (funded plans) or paid benefits (unfunded plans) totaling approximately $6 million to its defined benefit pension and postretirement benefit plans in the first six months of 2020. For the balance of 2020, the forecasted contribution (funded plans) and benefit payment (unfunded plans) requirements for its pension and postretirement plans are approximately $10 million.

Capital Expenditures
Cash flow from investing activities included $9 million of capital expenditures for the six months ended June 30, 2020. Kodak expects approximately $15 million of total capital expenditures for 2020.

Item 4. Controls and Procedures

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

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Kodak's Brazilian operations are involved in various litigation matters in Brazil and have received or been the subject of numerous governmental assessments related to indirect and other taxes in various stages of litigation, as well as civil litigation and disputes associated with former employees and contract labor. The tax matters, which comprise the majority of the litigation matters, are primarily related to federal and state value-added taxes and income taxes. Kodak's Brazilian operations are disputing these matters and intend to vigorously defend their position. Kodak routinely assesses these matters as to the probability of ultimately incurring a liability in its Brazilian operations and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of June 30, 2020, Kodak's Brazilian Operations maintained accruals of approximately $3 million for claims aggregating approximately $110 million inclusive of interest and penalties where appropriate. In connection with assessments and litigation in Brazil, local regulations may require Kodak's Brazilian Operations to post security for a portion of the amounts in dispute. Generally, any encumbrances on the Brazilian assets would be removed to the extent the matter is resolved in Kodak's favor.

Kodak is involved in various lawsuits, claims, investigations, remediations and proceedings, including, from time to time, commercial, customs, employment, environmental, tort and health and safety matters, which are being handled and defended in the ordinary course of business. Kodak is also subject, from time to time, to various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that are incorporated in a broad spectrum of Kodak's products. These matters are in various stages of investigation and litigation and are being vigorously defended. Based on information currently available, Kodak does not believe that it is probable that the outcomes in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations. Litigation is inherently unpredictable, and judgments could be rendered or settlements entered that could adversely affect Kodak's operating results or cash flows in a particular period. Kodak routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable.

In addition to matters relating to Kodak's operations, Kodak is involved in investigations being conducted by several congressional committees and the SEC stemming from events related to the announcement of the potential DFC Loan and Pharmaceutical Initiative discussed under Item 1A. Risk Factors below.

Item 1A. Risk Factors

Reference is made to the Risk Factors set forth in Part I, Item 1A. of the 2019 Form 10-K. The Risk Factors remain applicable from the 2019 Form 10-K. In particular, Kodak continues to face risks associated with the COVID-19 pandemic as described in the 2019 Form 10-K under the captions "Risk Factors—Risks Relating to Kodak's Business—Weakness or worsening of global economic conditions could adversely affect Kodak's financial performance and liquidity" and "—Business disruptions could seriously harm Kodak's future revenue and financial condition and increase its costs and expenses". Certain known consequences to Kodak from the COVID-19 pandemic are disclosed in the financial statements contained in this Form 10-Q and under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation." The full extent to which the COVID-19 pandemic will impact Kodak's results will depend on future developments, which are highly uncertain and cannot be predicted at the time of this filing, including new information which may emerge concerning the scope and duration of the pandemic and the restrictions and other actions implemented to fight it, among others. Direct and indirect effects from the COVID-19 pandemic could have a material adverse effect on the continuity of Kodak's business operations and its results of operations and financial position, particularly if such effects have an extended duration.

On July 28, 2020, the U.S. International Development Finance Corporation (the "DFC") announced the signing of a non-binding letter of interest to provide a subsidiary of the Company with a potential $765 million loan (the "DFC Loan") to support the launch of Kodak Pharmaceuticals, an initiative that would manufacture pharmaceutical ingredients for essential generic drugs (the "Pharmaceutical Initiative"). As referenced in the DFC's announcement, the signing of the letter of interest indicates Kodak's successful completion of the DFC's initial screening and will be followed by standard due diligence conducted by the DFC before financing is formally committed. The letter of interest is non-binding, and there can be no assurance that the DFC's standard due diligence will be successfully completed or that, even if the due diligence is successfully completed, the DFC will proceed with the potential DFC Loan. Congressional investigations and an SEC investigation have been commenced which could affect the likelihood of the consummation of the DFC Loan. The DFC has tweeted that it will not proceed any further with the potential DFC Loan unless the recent allegations raised in the context of the potential DFC Loan have been cleared. The potential DFC Loan has sparked intense media interest and coverage. If the DFC Loan is not made or if the findings of the investigations are unfavorable, Kodak's reputation could be damaged and its existing business could be adversely affected.

If the DFC Loan is ultimately consummated, the Pharmaceutical Initiative will be subject to the risks associated with Kodak's business generally as described in the 2019 Form 10-K under the caption "Risk Factors—Risks Relating to Kodak's Business". Based on the developmental nature of the Pharmaceutical Initiative, if the project proceeds Kodak will face heightened risks relating to talent acquisition, construction, obtaining regulatory approvals, cost overruns, delays, product development and market development, among others. In particular, the economic success of the Pharmaceutical Initiative will depend in large part on products produced by the Pharmaceutical Initiative being able to successfully compete with pharmaceutical ingredients supplied by low-cost countries such as China and India through manufacturing and operating efficiencies, "buy American" initiatives or mandates, or otherwise. If the Pharmaceutical Initiative is not able to compete effectively or otherwise generate positive cash flow, the subsidiary operating the Pharmaceutical Initiative (the "Pharmaceutical Subsidiary") may not be able to distribute profits to the Company or repay the DFC Loan. It is contemplated that if the Pharmaceutical Subsidiary defaults on the DFC Loan, the Company will lose its equity interest in the Pharmaceutical Subsidiary (and, indirectly, the buildings and assets contributed by Kodak to the Pharmaceutical Subsidiary in connection with the Pharmaceutical Initiative). It is not contemplated that the Company will be a guarantor of the DFC Loan or responsible to repay the DFC Loan should the Pharmaceutical Subsidiary default on the DFC Loan.

As described in the 2019 Form 10-K under the caption "Risk Factors—Risks Related to the Company's Common Stock—The Company's stock price has been and may continue to be volatile", there have been and may continue to be significant fluctuations in the market price of the Company's common stock. For example, there have been significant market price fluctuations following the recent announcement of the potential DFC Loan and Pharmaceutical Initiative. The market price of the Company's common stock may be particularly susceptible to additional significant fluctuations based on future announcements or disclosures concerning the potential DFC Loan, the Pharmaceutical Initiative, the related congressional and SEC investigations and the related internal review being performed by a special committee of the Company's Board of Directors.

As described in the 2019 Form 10-K under the caption "Risk Factors—Risks Related to the Company's Common Stock—The Company has registered the resale of a large portion of its outstanding securities. The resale of the Company's common stock, or the perception that such resale may occur, may adversely affect the price of its common stock", the resale of a substantial number of shares of common stock in the public market, or the perception that such resale might occur, could cause the market price of the Company's common stock to decline. On August 3, 2020, the Company issued the 29,922,956 Conversion Shares to the holders of the Converted Notes (the "Converting Holders"). While the Conversion Shares have not been registered for resale, the Conversion Shares were issued without restrictive legends or transfer restrictions based on the Company's receipt of an opinion of counsel for the Converting Holders that the resale of up to all of the Conversion Shares by the Converting Holders could be made in accordance with Rule 144 at any time in the three (3) month period commencing on August 3, 2020. The Company does not know if any of the Conversion Shares are still held by the Converting Holders, or if any of the Conversion Shares have been sold. If the Converting Holders continue to hold the Conversion Shares, future sales of the Conversion Shares by the Converting Holders could exert downward pressure on the Company's stock price.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Sales of unregistered securities during the quarter ended June 30, 2020

None

(b) Issuer purchases of equity securities during the quarter ended June 30, 2020

None

.

Items 3, 4 and 5.

Not applicable.

Item 6. Exhibits

Eastman Kodak Company
Index to Exhibits

(3.1)	Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company (Incorporated by reference to Exhibit (4.1) of the Company's Registration Statement on Form S-8 as filed on September 3, 2013).
(3.2)	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company (Incorporated by reference to Exhibit (3.1) of the Company's Current Report on Form 8-K as filed November 16, 2016).
(3.3)	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company (Incorporated by reference to Exhibit (3.1) of the Company's Current Report on Form 8-K as filed September 12, 2019).
(3.4)	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company (Incorporated by reference to Exhibit (3.2) of the Company's Current Report on Form 8-K as filed September 12, 2019).
(3.5)	Fourth Amended and Restated By-Laws of Eastman Kodak Company, (Incorporated by reference to Exhibit (3.5) of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 as filed on May 12, 2020).
(10.1)	Eastman Kodak Company 2013 Omnibus Incentive Plan (As Amended and Restated effective May 20, 2020), filed herewith.
(31.1)	Certification signed by James V. Continenza, filed herewith.
(31.2)	Certification signed by David E. Bullwinkle, filed herewith.
(32.1)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by James V. Continenza, filed herewith.
(32.2)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by David E. Bullwinkle, filed herewith.
(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase.
(101.INS)	XBRL Instance Document.
(101.LAB)	XBRL Taxonomy Extension Label Linkbase.
(101.PRE)	XBRL Taxonomy Extension Presentation Linkbase.
(101.SCH)	XBRL Taxonomy Extension Schema Linkbase.
(101.DEF)	XBRL Taxonomy Extension Definition Linkbase

SIGNATURES

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

EASTMAN KODAK COMPANY
(Registrant)

Date August 11, 2020

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

EASTMAN KODAK COMPANY
2013 OMNIBUS INCENTIVE PLAN

(As Amended and Restated Effective May 20, 2020)

Article 1. Establishment & Purpose

Establishment

. Eastman Kodak Company, a New Jersey corporation, hereby establishes the Eastman Kodak Company 2013 Omnibus Incentive Plan (hereinafter referred to as the "**Plan**") as set forth in this document.

1.2 Purpose

. The purpose of this Plan is to attract, retain and motivate officers, employees, and non-employee directors providing services to the Company, any of its Subsidiaries, or Affiliates and to promote the success of the Company's business by providing Participants with appropriate incentives.

Article 2. Definitions

For purposes of the Plan, the following terms have the meanings set forth below:

2.1 **"Affiliate"** means any entity that the Company, either directly or indirectly, is in common control with, is controlled by or controls, or any entity in which the Company has a substantial equity interest, direct or indirect; provided, however, to the extent that Awards must cover "service recipient stock" in order to comply with Section 409A, "Affiliate" shall be limited to those entities which could qualify as an "eligible issuer" under Section 409A.

2.2 **"Award"** means any award that is granted under the Plan.

2.3 **"Award Agreement"** means a written or electronic agreement setting forth the terms and provisions applicable to an Award granted under this Plan.

2.4 **"Beneficial Owner"** or **"Beneficial Ownership"** shall have the meaning ascribed to such terms in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.5 **"Board"** means the Board of Directors of the Company.

2.6 **"Cause"** means (i) with respect to a Participant employed pursuant to a written employment agreement that includes a definition of "Cause", "Cause" as defined in such agreement or (ii) with respect to any other Participant, the occurrence of any of the following:

(a) the Participant's continued failure, for a period of at least 30 calendar days following a written warning, to perform the Participant's duties in a manner deemed satisfactory by the Participant's supervisor, in the exercise of his or her sole discretion;

(b) the Participant's failure to follow a lawful written directive of the Chief Executive Officer, the Participant's supervisor or the Board;

(c) the Participant's willful violation of any material rule, regulation, or policy that may be established from time to time for the conduct of the Company's business;

(d) the Participant's unlawful possession, use or sale of narcotics or other controlled substances, or performing job duties while illegally used controlled substances are present in the Participant's system;

(e) any act or omission by the Participant in the scope of his or her employment (a) which results in the assessment of a civil or criminal penalty against the Participant or the Company, or (b) which in the reasonable judgment of the Participant's supervisor could result in a material violation of any foreign or U.S. federal, state or local law or regulation having the force of law;

(f) the Participant's conviction of or plea of guilty or no contest to any crime involving moral turpitude;

(g) any misrepresentation of a material fact by the Participant to, or concealment of a material fact from, the Participant's supervisor or any other person in the Company to whom the Participant has a reporting relationship in any capacity; or

(h) the Participant's breach of the Company's Business Conduct Guide or the Eastman Kodak Company Employee's Agreement.

For purpose of this definition, no act or failure to act by the Participant shall be considered "willful" unless done or omitted to be done by the Participant in bad faith and without reasonable belief that the Participant's action or omission was in the best interests of the Company, any of its Subsidiaries, or Affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company, any of its Subsidiaries, and Affiliates.

2.7 **"<u>Change of Control</u>"**, unless otherwise specified in the Award Agreement, means the occurrence of any of the following events:

(a) any "person" (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of the Company's securities representing 50% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board ("**<u>Company Voting Securities</u>**"); <u>provided</u>, <u>however</u>, that the event described in this paragraph (a) shall not be deemed to be a Change of Control by virtue of an acquisition of Company Voting Securities: (i) by the Company or any Subsidiary, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities or (iv) pursuant to a Non-Qualifying Transaction (as defined in paragraph (b) of this definition);

(b) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "**Business Combination**"), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "**Surviving Entity**"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 95% of the voting power, is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (ii) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the parent), is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the parent (or, if there is no parent, the Surviving Entity) and (iii) at least a majority of the members of the board of directors of the parent (or, if there is no parent, the Surviving Entity) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (i), (ii) and (iii) of this paragraph (b) shall be deemed to be a "**Non-Qualifying Transaction**");

(c) individuals who, on the Effective Date, constitute the Board (the "**Incumbent Directors**") cease for any reason to constitute at least a majority of the Board within any 24 month period; provided that any person becoming a director subsequent to the Effective Date, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the Company's proxy statement in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(d) the consummation of a sale of all or substantially all of the Company's assets (other than to an Affiliate); or

(e) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 50% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person (and in all cases results in beneficial ownership of more than 50% of the Company Voting Securities), a Change of Control shall then occur.

2.8 **"Code"** means the U.S. Internal Revenue Code of 1986, as amended from time to time.

2.9 **"Committee"** means the Executive Compensation Committee of the Board (as constituted from time to time, and including any successor committee) or any other committee designated by the Board to administer this Plan. To the extent applicable, the Committee shall have at least two members, each of whom shall be (i) a Non-Employee Director and (ii) an "independent director" within the meaning of the listing requirements of the New York Stock Exchange.

2.10 **"Company"** means Eastman Kodak Company, a New Jersey corporation, and any successor thereto.

2.11 **"Director"** means a member of the Board who is not an Employee.

2.12 "**Dividend Equivalent Right**" means a dividend equivalent right under Article 10 of the Plan.

2.13 **"Effective Date"** means the date set forth in Section 16.19.

2.14 **"Employee"** means an officer or other employee of the Company, a Subsidiary or Affiliate, including a member of the Board who is an employee of the Company, a Subsidiary or Affiliate.

2.15 **"Exchange Act"** means the Securities Exchange Act of 1934, as amended from time to time.

2.16 **"Fair Market Value"** means, as of any date, the per-Share value determined as follows:

(a) The closing price of a Share on a recognized U.S. national exchange or any established over-the-counter trading system on which dealings take place, or if no trades were made on any such day, the immediately preceding day on which trades were made; or

(b) In the absence of an established market for the Shares of the type described in (a) above, the per Share value determined by the Committee in good faith and in accordance with applicable provisions of Section 409A.

2.17 **"Good Reason"** means (i) with respect to a Participant employed pursuant to a written employment agreement that includes a definition of "Good Reason", "Good Reason" as defined in such agreement or (ii) with respect to any other Participant, in the absence of written consent of such Participant, the occurrence of any of the following:

(a) a reduction, in the aggregate, of the Participant's base salary and target annual cash bonus compensation (including variable and other incentives) or sales and commission opportunities, as applicable, as in effect immediately prior to a Change of Control (or as the same may be increased from time to time thereafter) by more than 10%; or

(b) reassignment of the Participant's primary work site to a new primary work site that increases his or her one-way commute to work by more than 35 miles, unless the Participant is in a position where periodic reassignment is standard practice.

Notwithstanding the foregoing, a termination for Good Reason shall not have occurred unless (i) the Participant gives written notice to the Company of termination of employment within 30 days after the Participant first becomes aware of the occurrence of the circumstances constituting Good Reason, specifying in detail the circumstances constituting Good Reason, and the Company has failed within 30 days after receipt of such notice to cure the circumstances constituting Good Reason, and (ii) the Participant's "separation from service" (within the meaning of Section 409A) occurs no later than two years following the initial existence of the circumstances giving rise to Good Reason.

2.18 **"Incentive Stock Option"** means an Option intended to meet the requirements of an incentive stock option as defined in Section 422 of the Code and designated as an Incentive Stock Option.

2.19 **"Non-Employee Director"** means a person defined in Rule 16b-3(b)(3) promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission.

2.20 **"Nonqualified Stock Option"** means an Option that is not an Incentive Stock Option.

2.21 **"Other Stock-Based Award"** means any right granted under Article 11 of the Plan.

2.22 **"Option"** means any stock option granted under Article 6 of the Plan.

2.23 **"Option Price"** means the purchase price per Share subject to an Option, as determined pursuant to Section 6.2 of the Plan.

2.24 **"Participant"** means any eligible person as set forth in Section 4.1 to whom an Award is granted.

2.25 **"Person"** shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

2.26 **"Restricted Stock Award"** means any Award granted under Article 8 of the Plan.

2.27 "**Restricted Stock Unit**" means any restricted stock unit granted under Article 9 of the Plan.

2.28 **"Restriction Period"** means the period during which a Restricted Stock Award is subject to forfeiture.

2.29 **"Section 409A"** means Section 409A of the Code, including any amendments or successor provisions to that section, and any regulations and other administrative guidance relating thereto, in each case as they may be from time to time amended or interpreted through further administrative guidance.

2.30 **"Service"** means service as an Employee or Director.

2.31 **"Share"** means a share of common stock of the Company, par value $0.01 per share, or such other class or kind of shares or other securities resulting from the application of Article 14 hereof.

2.32 **"Stock Appreciation Right"** means any right granted under Article 7 of the Plan.

2.33 **"Subsidiary"** means any corporation, partnership, limited liability company or other legal entity of which the Company, directly or indirectly, owns stock or other equity interests possessing 50% or more of the total combined voting power of all classes of stock or other equity interests (as determined in a manner consistent with Section 409A).

Article 3. Administration

3.1 Authority of the Committee

. The Plan shall be administered by the Committee, which shall have full power to interpret and administer the Plan and Award Agreements and full authority to select the Employees and Directors to whom Awards will be granted, and to determine the type and amount of Awards to be granted to each such Employee or Director, and the terms and conditions of Awards and Award Agreements. Without limiting the generality of the foregoing, the Committee may, in its sole discretion but subject to the limitations in Article 12 and Article 14, clarify, construe or resolve any ambiguity in any provision of the Plan or any Award Agreement, extend the term or period of exercisability of any Awards, or waive any terms or conditions applicable to any Award. Awards may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or any of its Subsidiaries or Affiliates or a company acquired by the Company or with which the Company combines. The Committee shall have full and exclusive discretionary power to adopt rules, forms, instruments, and guidelines for administering the Plan as the Committee deems necessary or proper. All actions taken and all interpretations and determinations made by the Committee or by the Board (or any other committee or sub-committee thereof), as applicable, shall be final and binding upon the Participants, the Company, and all other interested individuals.

3.2 Delegation

. The Committee may delegate to one or more of its members or one or more executive officers of the Company such duties or powers as it may deem advisable; provided that no delegation shall be permitted under the Plan that is prohibited by applicable law or applicable rules and regulations of the New York Stock Exchange; and provided further that no delegation shall permit an executive officer of the Company to grant, amend, cancel or suspend Awards granted to a Director or an executive officer of the Company. Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant Awards or administer the Plan. In any such case, the Board will have all of the authority and responsibility granted to the Committee herein.

Article 4. Eligibility and Participation

4.1 Eligibility

. Participants will consist of such Employees and Directors as the Committee in its sole discretion determines and whom the Committee may designate from time to time to receive Awards. Designation of a Participant in any year shall not require the Committee to designate such person to receive an Award in any other year or, once designated, to receive the same type or amount of Award as granted to the Participant in any other year.

4.2 Type of Awards

. Awards under the Plan may be cash-based or stock-based. Stock-based Awards may be in the form of any of the following: (i) Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock Awards, (iv) Restricted Stock Units, (v) Dividend Equivalent Rights, and (vi) Other Stock-Based Awards. Cash-based Awards may be in the form of cash awards (including, without limitation, retainers and meeting-based fees) that the Committee determines to be consistent with the purposes of the Plan and the interests of the Company. Awards granted under the Plan shall be evidenced by Award Agreements (which need not be identical) that provide additional terms and conditions associated with such Awards, as determined by the Committee in its sole discretion; provided, however, that in the event of any conflict between the provisions of the Plan and any such Award Agreement, the provisions of the Plan shall prevail.

Article 5. Shares Subject to the Plan and Maximum Awards

5.1 General

. Subject to adjustment as provided in Article 14 hereof, the maximum number of Shares available for grant to Participants pursuant to Awards under the Plan shall be equal to 8,000,000. The number of Shares available for granting Incentive Stock Options under the Plan shall not exceed 2,000,000, subject to Article 14 hereof and the provisions of Sections 422 or 424 of the Code and any successor provisions. The Shares available for issuance under the Plan may consist, in whole or in part, of authorized and unissued Shares or treasury Shares. Shares issued in connection with awards that are assumed, converted or substituted as a result of the Company's acquisition of another company (including by way of merger, combination or similar transaction) ("**Acquisition Awards**") will not count against the number of Shares that may be granted under the Plan.

5.2 Share Counting. The number of shares of Common Stock granted under the Plan per year will be determined as follows: (i) each Restricted Stock Award, Restricted Stock Unit and similar Award will count as one share of Common Stock and (ii) each Option, Stock Appreciation Right and similar Award will count as a fraction of a share of Common Stock, based on the financial value of each such Award relative to a share of Common Stock, as determined by the Committee promptly after the Effective Date.

5.3 **Director Awards**. Aggregate Awards to any one Director in respect of a calendar year may not exceed a number of Awards with a grant date fair value of $450,000 (computed as of the date of grant in accordance with applicable financial accounting rules).

5.4 **Additional Shares**

. In the event that any outstanding Award expires, is forfeited, cancelled or otherwise terminated without the issuance of Shares or is otherwise settled for cash, the Shares subject to such Award (counted in accordance with Section 5.2 of the Plan), to the extent of any such forfeiture, cancellation, expiration, termination or settlement for cash, shall again be available for Awards. Additionally, any shares delivered to the Company or withheld by the Company in payment or satisfaction of the tax withholding obligation of an Award (other than an Option or Stock Appreciation Right) shall again be available for Awards. If the Committee authorizes the assumption under this Plan, in connection with the acquisition of another company (whether by way of merger, consolidation, acquisition of all or substantially all of the assets, acquisition of stock, or reorganization), of awards granted under a plan maintained by such company prior to the acquisition of such company, such assumption shall not reduce the maximum number of Shares available for issuance under this Plan.

Article 6. Stock Options

6.1 **Grant of Options**

. The Committee is hereby authorized to grant Options to Participants. Each Option shall permit a Participant to purchase from the Company a stated number of Shares at an Option Price established by the Committee, subject to the terms and conditions described in this Article 6 and to such additional terms and conditions as established by the Committee, in its sole discretion, that are consistent with the provisions of the Plan. Options shall be designated as either Incentive Stock Options or Nonqualified Stock Options; provided that Options granted to Directors shall only be Nonqualified Stock Options. An Option granted as an Incentive Stock Option shall, to the extent it fails to qualify as an Incentive Stock Option, be treated as a Nonqualified Stock Option. Neither the Committee, the Company, any of its Subsidiaries or Affiliates, nor any of their employees and representatives shall be liable to any Participant or to any other Person if it is determined that an Option intended to be an Incentive Stock Option does not qualify as an Incentive Stock Option. Each Option shall be evidenced by an Award Agreement which shall state the number of Shares covered by such Option. Such agreements shall conform to the requirements of the Plan and may contain such other provisions, as the Committee shall deem advisable.

6.2 **Terms of Option Grant**

. The Option Price shall be determined by the Committee at the time of grant, but, except as otherwise permitted by Article 14 or in the case of an Acquisition Award, shall not be less than 100% of the Fair Market Value of a Share on the date of grant.

6.3 **Option Term**

. The term of each Option shall be determined by the Committee at the time of grant and shall be stated in the Award Agreement, but in no event shall such term be greater than 10 years.

6.4 Method of Exercise

. Except as otherwise provided in the Plan or in an Award Agreement, an Option may be exercised for all, or from time to time any part, of the Shares for which it is then exercisable. For purposes of this Article 6, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Company and, if applicable, the date payment is received by the Company pursuant to clauses (i), (ii), (iii) or (iv) of the following sentence (including the applicable tax withholding pursuant to Section 16.4 of the Plan). The aggregate Option Price for the Shares as to which an Option is exercised shall be paid to the Company in full at the time of exercise at the election of the Participant (i) in cash or its equivalent (e.g., by cashier's check), (ii) to the extent permitted by the Committee, in Shares previously owned by the Participant having a fair market value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee, (iii) partly in cash and, to the extent permitted by the Committee, partly in such Shares (as described in (ii) above) or (iv) in consideration received by the Company under a cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan. The Committee may prescribe any other method of payment that it determines to be consistent with applicable law and the purpose of the Plan.

6.5 Limitations on Incentive Stock Options

. Incentive Stock Options may be granted only to employees of the Company or of a "parent corporation" or "subsidiary corporation" (as such terms are defined in Section 424 of the Code) at the date of grant. The aggregate fair market value (generally determined as of the time the Option is granted) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under all plans of the Company and of any "parent corporation" or "subsidiary corporation" shall not exceed $100,000, or the Option shall be treated as a Nonqualified Stock Option. For purposes of the preceding sentence, Incentive Stock Options will be taken into account generally in the order in which they are granted. Each provision of the Plan and each Award Agreement relating to an Incentive Stock Option shall be construed so that each Incentive Stock Option shall be an incentive stock option as defined in Section 422 of the Code, and any provisions of the Award Agreement thereof that cannot be so construed shall be disregarded.

6.6 Performance Goals

. The Committee may condition the grant of Options or the vesting of Options upon the Participant's achievement of one or more performance goal(s) (including the Participant's provision of Services for a designated time period), as specified in the Award Agreement. If the Participant fails to achieve the specified performance goal(s), the Committee shall not grant the Option to such Participant or the Option shall not vest, as applicable.

6.7 Individual Limitations. No Employee may be granted Options or Stock Appreciation Rights covering in excess of 2,500,000 Shares in any calendar year (with tandem Options and Stock Appreciation Rights being counted only once with respect to this limit), subject to adjustment as provided in Article 14 hereof.

Article 7. Stock Appreciation Rights

7.1 Grant of Stock Appreciation Rights

. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants, including a grant of Stock Appreciation Rights in tandem with any Option at the same time such Option is granted (a “**Tandem SAR**”). Stock Appreciation Rights shall be evidenced by Award Agreements that shall conform to the requirements of the Plan and may contain such other provisions, as the Committee shall deem advisable. Subject to the terms of the Plan and any applicable Award Agreement, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the fair market value of a specified number of Shares on the date of exercise over (ii) the grant price of the right as specified by the Committee on the date of the grant. Such payment may be in the form of cash, Shares, other property or any combination thereof, as the Committee shall determine in its sole discretion.

7.2 Terms of Stock Appreciation Right

. Subject to the terms of the Plan and any applicable Award Agreement, the grant price (which shall not be less than 100% of the Fair Market Value of a Share on the date of grant, except as otherwise permitted by Article 14 or in the case of an Acquisition Award), term, methods of exercise, methods of settlement, and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such other conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate. No Stock Appreciation Right shall have a term of more than 10 years from the date of grant.

7.3 Tandem Stock Appreciation Rights and Options

. A Tandem SAR shall be exercisable only to the extent that the related Option is exercisable and shall expire no later than the expiration of the related Option. Upon the exercise of all or a portion of a Tandem SAR, a Participant shall be required to forfeit the right to purchase an equivalent portion of the related Option (and, when a Share is purchased under the related Option, the Participant shall be required to forfeit an equivalent portion of the Stock Appreciation Right).

7.4 Individual Limitations. No Employee may be granted Options or Stock Appreciation Rights covering in excess of 2,000,000 Shares in any calendar year (with tandem Options and Stock Appreciation Rights being counted only once with respect to this limit), subject to adjustment as provided in Article 14 hereof.

Article 8. Restricted Stock Award

8.1 Grant of Restricted Stock Award

. The Committee is hereby authorized to grant a Restricted Stock Award consisting of a specified number of Shares to a Participant, which Shares are subject to forfeiture upon the occurrence of specified events. Each Restricted Stock Award shall be evidenced by an Award Agreement, which shall conform to the requirements of the Plan and may contain such other provisions, as the Committee shall deem advisable.

8.2 Terms of Restricted Stock Awards

. Each Award Agreement evidencing a Restricted Stock Award grant shall specify the period(s) of restriction, the number of Shares underlying the Restricted Stock Award, the performance, employment or other conditions (including the termination of a Participant's Service whether due to death, disability or other reason) under which the Restricted Stock Award may be forfeited to the Company and such other provisions, as the Committee shall deem advisable. At the end of the Restriction Period, the restrictions imposed hereunder and under the Award Agreement shall lapse with respect to the number of Shares underlying the Restricted Stock Award as determined by the Committee, and the legend shall be removed and such number of Shares delivered to the Participant (or, where appropriate, the Participant's legal representative).

8.3 Voting and Dividend Rights

. Unless otherwise provided in an Award Agreement, Participants shall have none of the rights of a shareholder of the Company with respect to the Shares underlying the Restricted Stock Award until the end of the Restricted Period; provided that Participants shall have the right to vote and receive dividends on the Shares underlying the Restricted Stock Award during the Restriction Period. Dividends shall be paid to Participants at the same time that other shareholders of common stock of the Company receive such dividends. Notwithstanding the foregoing, no dividends will be paid at a time when any performance-based goals that apply to a Restricted Stock Award have not been satisfied; until such goals are satisfied, all dividends paid upon the Shares underlying the Restricted Stock Award shall be retained by the Company for the account of the Participant and paid to the Participant (without interest) upon satisfaction of such goals and revert back to the Company if such goals are not satisfied.

8.4 Performance Goals

. The Committee may condition the grant of a Restricted Stock Award or the expiration of the Restriction Period upon the Participant's achievement of one or more performance goal(s) (including the Participant's provision of Services for a designated time period), as specified in the Award Agreement. If the Participant fails to achieve the specified performance goal(s), the Committee shall not grant the Restricted Stock Award to such Participant or the Participant shall forfeit the Restricted Stock Award to the Company, as applicable.

8.5 Section 83(b) Election

. A Participant may only make an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award with the prior written consent of the Company, which may be withheld in its sole discretion. In the event that a Participant makes such an election, the Participant shall be required to file promptly a copy of such election with the Company.

Article 9. Restricted Stock Units

9.1 Grant of Restricted Stock Units. The Committee is hereby authorized to grant Restricted Stock Units to a Participant in such amounts and subject to such terms and conditions as the Committee may determine. Restricted Stock Units shall be evidenced by an Award Agreement, which shall conform to the requirements of the Plan and may contain such other provisions as the Committee shall deem advisable.

9.2 **Terms of Restricted Stock Units**. With respect to a Restricted Stock Unit, a Participant will have only the rights of a general unsecured creditor of the Company until delivery of Shares, cash or other securities or property is made as specified in the applicable Award Agreement. The terms and conditions set forth by the Committee in the applicable Award Agreement may relate to vesting and nontransferability restrictions that will lapse upon the completion of a specified period of Service, the occurrence of an event and/or the attainment of performance objectives, as determined by the Committee at the time of grant. On the delivery date specified in the Award Agreement, with respect to each Restricted Stock Unit not previously forfeited or terminated, the Participant will receive one Share, cash or other securities or property equal in value to a Share or a combination thereof, as specified by the Committee.

Article 10. Dividend Equivalent Rights

10.1 **Grant of Dividend Equivalent Rights.** The Committee, in its sole discretion, may include in the Award Agreement with respect to any Award, other than Options and Stock Appreciation Rights, a dividend equivalent right entitling the Participant to receive amounts equal to all or any portion of the regular cash dividends that would be paid on the Shares covered by such Award if such Shares had been delivered pursuant to such Award.

10.2 **Terms of Dividend Equivalent Rights.** With respect to a dividend equivalent right, a Participant will have only the rights of a general unsecured creditor of the Company until payment of such amounts is made as specified in the applicable Award Agreement. In the event such a provision is included in an Award Agreement, the Committee will determine whether such payments will be made in cash, in Shares or in another form, whether they will be conditioned upon the exercise of the Award to which they relate, the time or times at which they will be made, and such other terms and conditions as the Committee will deem appropriate. Notwithstanding anything to the contrary, no dividends or dividend equivalents will be paid at a time when any performance-based goals that apply to the dividend equivalent right or Award that is granted in connection with a dividend or dividend equivalent right have not been satisfied and will revert back to the Company if such goals are not satisfied.

Article 11. Other Stock-Based Awards

The Committee, in its sole discretion, may grant Awards of Shares and Awards that are valued, in whole or in part, by reference to, or are otherwise based on the fair market value of, Shares (the “**Other Stock-Based Awards**”), including without limitation, phantom awards. Such Other Stock-Based Awards shall be in such form, and dependent on such conditions, if any, as the Committee shall determine, including, without limitation, the right to receive one or more Shares (or the equivalent cash value of such Shares) upon the completion of a specified period of Service, the occurrence of an event and/or the attainment of performance objectives. Other Stock-Based Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Committee shall determine to whom and when Other Stock-Based Awards will be made, the number of Shares to be awarded under (or otherwise related to) such Other Stock-Based Awards, whether such Other Stock-Based Awards shall be settled in cash, Shares or a combination of cash and Shares, and all other terms and conditions of such Awards.

Article 12.[Intentionally Omitted]

Article 13.Section 409A

13.1 The Board and the Committee shall have full authority to give effect to any statement in an Award Agreement to the effect that an Award is intended to be "deferred compensation" subject to Section 409A, to be exempt from Section 409A or to have other intended treatment under Section 409A and/or other provision of the Code. To the extent necessary to give effect to this authority, in the case of any conflict or potential inconsistency between the Plan and a provision of any Award or Award Agreement with respect to the subject matter of this paragraph, the Plan shall govern.

13.2 Without limiting the generality of Section 13.1, with respect to any Award made under the Plan that is intended to be "deferred compensation" subject to Section 409A: (i) references to termination of the Participant's employment will mean the Participant's separation from service with the Company within the meaning of Section 409A; (ii) any payment to be made with respect to such Award in connection with the Participant's separation from service with the Company within the meaning of Section 409A that would be subject to the limitations in Section 409A(a)(2)(b) of the Code shall be delayed until six months after the Participant's separation from service (or earlier death) in accordance with the requirements of Section 409A; (iii) to the extent necessary to comply with Section 409A, any cash, other securities, other Awards or other property that the Company may deliver in lieu of Shares in respect of an Award shall not have the effect of deferring delivery or payment beyond the date on which such delivery or payment would occur with respect to the Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose in accordance with the requirements of Section 409A); (iv) if the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the regulations promulgated under the Code), the Participant's right to the series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment; (v) if the Award includes "dividend equivalents" (within the meaning of Section 1.409A-3(e) of the regulations promulgated under the Code), the Participant's right to the dividend equivalents shall be treated separately from the right to other amounts under the Award; and (vi) unless the Committee determines otherwise, for purposes of determining whether the Participant has experienced a separation from service with the Company within the meaning of Section 409A, "subsidiary" shall mean a corporation or other entity in a chain of corporations or other entities in which each corporation or other entity, starting with the Company, has a controlling interest in another corporation or other entity in the chain, ending with such corporation or other entity. For purposes of the preceding sentence, the term "controlling interest" has the same meaning as provided in Section 1.414(c)-2(b)(2)(i) of the regulations promulgated under the Code; provided that the language "at least 20 percent" is used instead of "at least 80 percent" each place it appears in Section 1.414(c)-2(b)(2)(i) of the regulations promulgated under the Code.

Article 14. Adjustments

14.1 Adjustments in Authorized Shares

. In the event of any corporate event or transaction involving the Company, a Subsidiary and/or an Affiliate (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, stock split, reverse stock split, split up, spin-off, combination of Shares, exchange of Shares, dividend in kind, amalgamation, or other like change in capital structure (other than regular cash dividends to shareholders of the Company), or any similar corporate event or transaction, the Committee, to prevent dilution or enlargement of Participants' rights under the Plan, shall substitute or adjust (in each case in such manner as it deems equitable or appropriate) the number and kind of Shares or other property (including cash) that may be issued under the Plan or under particular forms of Awards, the number and kind of Shares or other property (including cash) subject to outstanding Awards, the Option Price, grant price or purchase price applicable to outstanding Awards, any individual Award limits, and/or other value determinations applicable to the Plan or outstanding Awards.

14.2 Change of Control

. Upon the occurrence of a Change of Control after the Effective Date, unless otherwise specifically prohibited under applicable laws or by the rules and regulations of any governing governmental agencies or national securities exchanges or unless the Committee shall determine otherwise in the Award Agreement, the Committee shall make one or more of the following adjustments to the terms and conditions of outstanding Awards to the extent determined by the Committee to be permitted under Section 409A: (i) continuation or assumption of such outstanding Awards under the Plan by the Company (if it is the surviving company or corporation) or by the surviving company or corporation or its parent; (ii) substitution by the surviving company or corporation or its parent of awards with substantially the same terms for such outstanding Awards; (iii) accelerated exercisability, vesting and/or lapse of restrictions under outstanding Awards immediately prior to the occurrence of such event; (iv) upon written notice, provide that any outstanding Awards must be exercised, to the extent then exercisable, during a reasonable period of time immediately prior to the scheduled consummation of the event, or such other period as determined by the Committee (contingent upon the consummation of the event), and at the end of such period, such Awards shall terminate to the extent not so exercised within the relevant period; (v) cancellation of all or any portion of outstanding Awards for fair value (as determined in the sole discretion of the Committee and which may be zero) which, in the case of Options and Stock Appreciation Rights or similar Awards, if the Committee so determines, may equal the excess, if any, of the value of the consideration to be paid in the Change of Control transaction to holders of the same number of Shares subject to such Awards (or, if no such consideration is paid, fair market value of the Shares subject to such outstanding Awards or portion thereof being canceled) over the aggregate Option Price or grant price, as applicable, with respect to such Awards or portion thereof being canceled (which may be zero) and (vi) such other adjustment as determined appropriate by the Committee. The Company shall have no liability to any Participant or otherwise if the Plan or any Award, vesting, exercise or payment of any Award hereunder is subject to the additional tax and penalties under Section 409A or any other Code section.

Article 15. Duration, Amendment

15.1 Duration of the Plan

. Unless sooner terminated as provided in Section 15.2, the Plan shall terminate on the 10th anniversary of the Effective Date; provided that all Awards made under the Plan before its termination will remain in effect until such Awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Award Agreements.

15.2 Amendment

. The Committee may from time to time amend, alter, suspend, discontinue, or terminate the Plan or an Award in any respect whatsoever, including in any manner that adversely affects the rights, duties or obligations of any Participant; provided that, subject to Section 14.1 or as otherwise specifically provided in the Plan, no amendment shall materially adversely impair the rights of a Participant under any Award without such Participant's consent.

Unless otherwise determined by the Committee, shareholder approval of any amendment, alteration, suspension or discontinuance will be obtained only to the extent necessary to comply with any applicable laws; provided that shareholder approval will be required for any amendment to the Plan that, in each case as reasonably determined by the Committee: (i) increases the number of Shares available under the Plan (other than an increase permitted under Article 5 absent shareholder approval); (ii) expands the types of Awards available under the Plan; (iii) materially extends the term of the Plan; (iv) materially changes the method of determining the Option Price or grant price per Share for Stock Appreciation Rights; or (v) except as permitted pursuant to Article 14, reduces the Option Price or grant price per Share, as applicable, of any outstanding Options or Stock Appreciation Rights, including through amendment, cancellation in exchange for the grant of a substitute Award (in each case that has the effect of reducing the Option Price or grant price per Share, as applicable) or repurchase for cash or other consideration.

Article 16. General Provisions

16.1 No Right to Service

. The granting of an Award under the Plan shall impose no obligation on the Company, any Subsidiary or any Affiliate to continue the Service of a Participant and shall not lessen or affect any right that the Company, any Subsidiary or any Affiliate may have to terminate the Service of such Participant. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

16.2 Foreign Jurisdictions

. To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practices and to further the purposes of the Plan, the Committee may, without amending the Plan, establish special rules applicable to Awards to Participants who are foreign nationals, are employed outside of the United States or both and grant Awards (or amend existing Awards) in accordance with those rules.

16.3 Settlement of Awards; Fractional Shares

. Each Award Agreement shall establish the form in which the Award shall be settled. The Committee shall determine whether cash, Awards, other securities or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be rounded, forfeited or otherwise eliminated.

16.4 Tax Withholding

. The Company shall have the power and the right to deduct or withhold (or cause to be deducted or withheld) from any amount deliverable under the Award or otherwise (including Shares otherwise deliverable), or require a Participant to remit to the Company, the minimum statutory amount to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan. With respect to required withholding, Participants may elect (subject to the Company's automatic withholding right set out above) to satisfy the withholding requirement, in whole or in part, (i) by having the Company withhold Shares or (ii) through an independent broker-dealer arrangement to sell a sufficient number of Shares, in each case, having a fair market value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction.

16.5 No Guarantees Regarding Tax Treatment

. Participants (or their beneficiaries) shall be responsible for all taxes with respect to any Awards under the Plan. The Committee and the Company make no guarantees to any Person regarding the tax treatment of Awards or payments made under the Plan. Neither the Committee nor the Company has any obligation to take any action to prevent the assessment of any tax on any Person with respect to any Award under Section 409A or otherwise and none of the Company, any of its Subsidiaries or Affiliates, or any of their employees or representatives shall have any liability to a Participant with respect thereto.

16.6 Non-Transferability of Awards

. Unless otherwise determined by the Committee, an Award shall not be transferable or assignable by the Participant except in the event of his death (subject to the applicable laws of descent and distribution) and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate. No transfer shall be permitted for value or consideration. An Award exercisable after the death of a Participant may be exercised by the heirs, legatees, personal representatives or distributees of the Participant. Any permitted transfer of the Awards to heirs, legatees, personal representatives or distributees of the Participant shall not be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the applicable Award Agreement and this Plan.

16.7 Conditions and Restrictions on Shares

. The Committee may impose such other conditions or restrictions on any Shares received in connection with an Award as it may deem advisable or desirable. These restrictions may include, but shall not be limited to, a requirement that the Participant hold the Shares received for a specified period of time or a requirement that a Participant represent and warrant in writing that the Participant is acquiring the Shares for investment and without any present intention to sell or distribute such Shares. The certificates for Shares may include any legend which the Committee deems appropriate to reflect any conditions and restrictions applicable to such Shares.

16.8 Clawback/Recoupment. Awards under the Plan shall be subject to the clawback or recoupment policy, if any, that the Company may adopt from time to time, whether before or after the grant of such Awards, to the extent provided in such policy and, in accordance with such policy, may be subject to the requirement that the Awards be repaid to the Company after they have been distributed or paid to the Participant.

16.9 Other Payments or Awards. Nothing contained in the Plan will be deemed in any way to limit or restrict the Company from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect. In addition, Section 5.1 (as adjusted by Article 14) sets forth the only limit on the aggregate amount of securities that may be delivered pursuant to this Plan.

16.10 Compliance with Law

. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies, or any stock exchanges on which the Shares are admitted to trading or listed, as may be required. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

(a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and

(b) Completion of any registration or other qualification of the Shares under any applicable national, state or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

The restrictions contained in this Section 16.10 shall be in addition to any conditions or restrictions that the Committee may impose pursuant to Section 16.7. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company, its Subsidiaries and Affiliates, and all of their employees and representatives of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16.11 Rights as a Shareholder

. Except as otherwise provided herein or in the applicable Award Agreement, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

16.12 Severability

. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person, or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

16.13 Unfunded Plan

. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company or any of its Subsidiaries or Affiliates may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other Person. To the extent that any Person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts.

16.14 No Constraint on Corporate Action

. Nothing in the Plan shall be construed to (i) limit, impair, or otherwise affect the Company's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets, or (ii) limit the right or power of the Company to take any action which such entity deems to be necessary or appropriate.

16.15 Liability

. No member of the Board or the Committee or any employee of the Company, a Subsidiary or Affiliate (each such person an **"Indemnified Person**") shall have any liability to any person (including, without limitation, any Participant) for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award. Each Indemnified Person shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Indemnified Person in connection with or resulting from any action, suit or proceeding to which such Indemnified Person may be a party or in which such Indemnified Person may be involved by reason of any action taken or omitted to be taken under the Plan and against and from any and all amounts paid by such Indemnified Person, with the Company's prior approval, in settlement thereof, or paid by such Indemnified Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnified Person, provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel chosen by the Company. The foregoing right of indemnification shall not be available to an Indemnified Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case, not subject to further appeal, determines that the acts or omissions of such Indemnified Person giving rise to the indemnification claim resulted from such Indemnified Person's bad faith, fraud or willful criminal act or omission. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Indemnified Persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

16.16 Successors

. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.

16.17 Governing Law

. THE PLAN WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

16.18 Data Protection

. By participating in the Plan, the Participant consents to the collection, processing, transmission and storage by the Company in any form whatsoever, of any data of a professional or personal nature which is necessary for the purposes of introducing and administering the Plan. The Company may share such information with any Subsidiary or Affiliate, the trustee of any employee benefit trust, its registrars, trustees, brokers, other third-party administrator or any Person who obtains control of the Company or acquires the Company, undertaking or part-undertaking which employs the Participant, wherever situated.

16.19 Effective Date

. The Plan originally became effective as of September 3, 2013; was amended to increase the maximum number of Shares available for grant to Participants pursuant to Awards under the Plan effective May 22, 2018; was amended to increase the limit on the number of Options or Stock Appreciation Rights that may be granted to an Employee in any calendar year under the Plan effective February 20, 2019; and was amended and restated to increase the maximum number of Shares available for grant to Participants pursuant to Awards under the Plan and to make certain other changes effective May 20, 2020 (the "**Effective Date**").

* **

Exhibit (31.1)

CERTIFICATION

I, James V. Continenza, certify that:

1) I have reviewed this Form 10-Q;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James V. Continenza
James V. Continenza
Executive Chairman and
Chief Executive Officer

Date: August 11, 2020

CERTIFICATION

I, David E. Bullwinkle, certify that:

1) I have reviewed this Form 10-Q;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David E. Bullwinkle
David E. Bullwinkle
Chief Financial Officer

Date: August 11, 2020

Exhibit (32.1)

CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Eastman Kodak Company (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James V. Continenza, Executive Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James V. Continenza
James V. Continenza
Executive Chairman and
Chief Executive Officer

Date: August 11, 2020

Exhibit (32.2)

CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Eastman Kodak Company (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David E. Bullwinkle, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David E. Bullwinkle
David E. Bullwinkle
Chief Financial Officer

Date: August 11, 2020