

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

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

For the quarterly period ended September 30, 1995

or

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

For the transition period from            to

Commission File Number 1-87

## EASTMAN KODAK COMPANY

(Exact name of registrant as specified in its charter)

NEW JERSEY (State of incorporation)	16-0417150 (IRS Employer Identification No.)
343 STATE STREET, ROCHESTER, NEW YORK (Address of principal executive offices)	14650 (Zip Code)
Registrant's telephone number, including area code:	716-724-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Number of Shares Outstanding at September 30, 1995
Common Stock, \$2.50 par value	342,106,930



Eastman Kodak Company and Subsidiary Companies  
CONSOLIDATED STATEMENT OF EARNINGS

(in millions)	Third Quarter		Three Quarters	
	1995	1994	1995	1994
<b>REVENUES</b>				
Sales	\$3,813	\$3,529	\$10,888	\$9,709
Earnings from equity interests and other revenues	64	2	190	70
	-----	-----	-----	-----
TOTAL REVENUES	3,877	3,531	11,078	9,779
	-----	-----	-----	-----
<b>COSTS</b>				
Cost of goods sold	1,987	1,967	5,630	5,219
Selling, general and administrative expenses	1,037	972	3,030	2,644
Research and development costs	244	221	696	655
Interest expense	20	28	58	113
Other charges	77	25	138	133
	-----	-----	-----	-----
TOTAL COSTS	3,365	3,213	9,552	8,764
	-----	-----	-----	-----
Earnings from continuing operations before income taxes	512	318	1,526	1,015
Provision for income taxes from continuing operations	174	125	549	382
	-----	-----	-----	-----
Earnings from continuing operations before extraordinary item	338	193	977	633
Loss from discontinued operations	-	-	-	(81)
	-----	-----	-----	-----
Earnings before extraordinary item	338	193	977	552
Extraordinary item	-	-	-	(13)
	-----	-----	-----	-----
NET EARNINGS	\$ 338	\$ 193	\$ 977	\$ 539
	=====	=====	=====	=====
Earnings per share from continuing operations before extraordinary item	\$ .99	\$ .57	\$ 2.86	\$ 1.89
Loss per share from discontinued operations	-	-	-	(.24)
	-----	-----	-----	-----
Earnings per share before extraordinary item	.99	.57	2.86	1.65
Extraordinary item	-	-	-	(.04)
	-----	-----	-----	-----
Earnings per share	\$ .99	\$ .57	\$ 2.86	\$ 1.61
	=====	=====	=====	=====

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained earnings at beginning of period	\$4,838	\$4,552	\$ 4,485	\$4,469
Net earnings	338	193	977	539
Cash dividends declared	(136)	(136)	(409)	(401)
Other changes	5	(3)	(8)	(1)
	-----	-----	-----	-----
RETAINED EARNINGS at end of period	\$5,045	\$4,606	\$ 5,045	\$4,606
	=====	=====	=====	=====

-----  
See Notes to Financial Statements



Eastman Kodak Company and Subsidiary Companies  
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions)	Sept. 30, 1995	Dec. 31, 1994
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,268	\$ 2,020
Marketable securities	65	48
Receivables (net of allowances of \$124 and \$120)	3,076	3,064
Inventories	1,947	1,480
Deferred income tax charges	514	711
Other	199	360
	-----	-----
Total current assets	7,069	7,683
	-----	-----
<b>PROPERTIES</b>		
Land, buildings and equipment at cost	12,623	12,299
Less: Accumulated depreciation	7,275	7,007
	-----	-----
Net properties	5,348	5,292
	-----	-----
<b>OTHER ASSETS</b>		
Goodwill (net of accumulated amortization of \$275 and \$226)	581	616
Long-term receivables and other noncurrent assets	911	872
Deferred income tax charges	504	505
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$14,413</b>	<b>\$14,968</b>
	=====	=====
-----		
<b>LIABILITIES AND SHAREOWNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Payables	\$ 3,326	\$ 3,398
Short-term borrowings	412	371
Taxes-income and other	526	1,701
Dividends payable	136	136
Deferred income tax credits	22	129
	-----	-----
Total current liabilities	4,422	5,735
<b>OTHER LIABILITIES</b>		
Long-term borrowings	653	660
Postemployment liabilities	3,734	3,671
Other long-term liabilities	738	790
Deferred income tax credits	106	95
	-----	-----
Total liabilities	9,653	10,951
	-----	-----
<b>SHAREOWNERS' EQUITY</b>		
Common stock at par*	972	966
Additional capital paid in or transferred from retained earnings	593	515
Retained earnings	5,045	4,485
Accumulated translation adjustment	105	8
	-----	-----
	6,715	5,974
Less: Treasury stock shares at cost*	1,955	1,957
	-----	-----
Total shareowners' equity	4,760	4,017
	-----	-----
<b>TOTAL LIABILITIES AND SHAREOWNERS' EQUITY</b>	<b>\$14,413</b>	<b>\$14,968</b>
	=====	=====

\* Common stock: \$2.50 par value, 950 million shares authorized, 389 million shares issued as of Sept. 30, 1995 and 386 million shares issued as of December 31, 1994. Treasury stock at cost consists of approximately 47 million shares at each balance sheet date.

-----  
 See Notes to Financial Statements



Eastman Kodak Company and Subsidiary Companies  
 CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Quarters	
(in millions)	1995	1994
Cash flows from operating activities:		
Earnings from continuing operations before extraordinary item	\$ 977	\$ 633
Adjustments to reconcile above earnings to net cash provided by operating activities:		
Depreciation and amortization	641	613
Provision (benefit) for deferred taxes	97	(8)
Loss on sale and retirement of properties	39	38
Decrease (increase) in receivables	50	(128)
Increase in inventories	(424)	(131)
Increase in liabilities excluding borrowings	394	77
Other items, net	(335)	(244)
	-----	-----
Total adjustments	462	217
	-----	-----
Net cash provided by operating activities	1,439	850
	-----	-----
Cash flows from investing activities:		
Additions to properties	(695)	(814)
Proceeds from sale of properties and investments	78	41
Marketable securities - sales	23	242
Marketable securities - purchases	-	(27)
Payment for purchase of Qualex, net of cash acquired	(100)	(48)
Cash flows related to sales of non-imaging health businesses	(1,212)	-
	-----	-----
Net cash used in investing activities	(1,906)	(606)
	-----	-----
Cash flows from financing activities:		
Net (decrease) increase in commercial paper borrowings of 90 days or less	(259)	1,385
Proceeds from other borrowings	2,529	2
Repayment of other borrowings and certain financial instruments	(2,236)	(2,297)
Dividends to shareowners	(409)	(429)
Exercise of employee stock options	82	29
	-----	-----
Net cash used in financing activities	(293)	(1,310)
	-----	-----
Effect of exchange rate changes on cash	8	16
	-----	-----
Net decrease in cash and cash equivalents	(752)	(1,050)
Cash and cash equivalents, beginning of year	2,020	1,635
	-----	-----
Cash and cash equivalents, end of quarter	\$ 1,268	\$ 585
	=====	=====

-----  
 See Notes to Financial Statements



## BASIS OF PRESENTATION

The financial statements have been prepared by the Company in accordance with the accounting policies stated in the 1994 Annual Report and should be read in conjunction with the Notes to Financial Statements appearing therein. In the opinion of the Company, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation have been included in the financial statements. The statements are based in part on estimates and have not been audited by independent accountants. The annual statements will be audited by Price Waterhouse LLP.

-----

## COMMITMENTS AND CONTINGENCIES

The Company and its subsidiary companies are involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environmental, and health and safety matters, which are being handled and defended in the ordinary course of business. There are no such matters pending that the Company and its General Counsel expect to be material in relation to the Company's business, financial condition or results of operations.

-----

## RECLASSIFICATIONS

Certain 1994 financial statement amounts have been reclassified to conform with the 1995 presentation.

David J. FitzPatrick, Controller  
November 3, 1995



Management's Discussion and Analysis of Financial Condition and Results  
of Operations

SUMMARY

(in millions, except earnings per share)	Third Quarter			Three Quarters		
	1995	1994	Change	1995	1994	Change
Sales	\$3,813	\$3,529	+8%	\$10,888	\$9,709	+12%
Earnings (loss) from operations before extraordinary item:						
Continuing	338	193		977	633	
Discontinued	-	-		-	(81)	
Net earnings	338	193		977	539	
Earnings per share	.99	.57		2.86	1.61	

Sales of \$3,813 million for the third quarter of 1995 increased 8% over the third quarter of 1994 while year-to-date sales of \$10,888 million were up 12% over the comparable period of last year. Excluding sales of Qualex (a U.S. photofinishing company which had been treated as an equity investment until the remainder of its outstanding shares were acquired in August, 1994), sales increased 6% for the quarter and 9% for the year to date over a year ago. Sales for the quarter and year to date benefited from volume gains and the favorable effects of foreign currency rate changes, but were adversely affected by lower effective selling prices. Currency changes favorably affected 1995 sales by \$76 million for the quarter and \$394 million for the year to date. Net earnings for the 1995 third quarter and year to date of \$338 million (\$.99 per share) and \$977 million (\$2.86 per share), respectively, increased significantly over the comparable periods of 1994. Benefits realized from higher volumes, manufacturing productivity, the favorable effects of foreign currency rate changes, lower interest expense, higher investment income and a lower effective tax rate were only partially offset by cost escalation, lower effective selling prices and increased selling, general and administrative (SG&A) activity. Net earnings for the 1994 third quarter were adversely affected by approximately \$60 million (\$.18 per share) for costs related to the acquisition of Qualex and incremental charges associated with asset valuations. These charges and other adjustments related to repair parts inventory valuations and revenues on certain service agreements adversely impacted 1994 year-to-date net earnings by approximately \$90 million (\$.27 per share).

During 1994, the Company divested the following non-imaging health businesses: the pharmaceutical and consumer health businesses of Sterling Winthrop Inc., the household products and do-it-yourself products businesses of L&F Products and the Clinical Diagnostic Division. These businesses have been reported as discontinued operations.

Net earnings for the 1994 year to date were reduced by an after-tax extraordinary charge of \$13 million (\$.04 per share) related to the early extinguishment of debt.

-----  
Sales by Segment (in millions)

	Third Quarter			Three Quarters		
	1995	1994	Change	1995	1994	Change
Consumer Imaging						
Inside the U.S.	\$ 761	\$ 645	+18%	\$ 2,064	\$1,646	+25%
Outside the U.S.	1,078	968	+11	2,920	2,532	+15
	-----	-----	---	-----	-----	---
Total Consumer Imaging	1,839	1,613	+14	4,984	4,178	+19
	-----	-----	---	-----	-----	---
Commercial Imaging						
Inside the U.S.	988	996	-1	2,920	2,861	+2
Outside the U.S.	995	920	+8	3,009	2,670	+13
	-----	-----	---	-----	-----	---
Total Commercial Imaging	1,983	1,916	+3	5,929	5,531	+7
	-----	-----	---	-----	-----	---
Deduct Intersegment Sales	(9)	-		(25)	-	
	-----	-----	---	-----	-----	---
Total Worldwide	\$3,813	\$3,529	+8%	\$10,888	\$9,709	+12%
	=====	=====	===	=====	=====	===

-----  
SEGMENT SALES

In the Consumer Imaging segment, sales to customers inside the U.S. increased for the quarter and year to date, when compared with sales for the same periods of 1994. Excluding the sales of Qualex, sales increased 8% in the quarter and 5% year to date as increased volumes were only partially offset by lower effective selling prices. Outside the U.S., sales increased significantly in the quarter and year to date compared with last year, as good increases in unit volumes and the favorable effects of foreign currency rate changes were only slightly offset by lower effective selling prices. Single-use cameras, Ektacolor paper and Kodacolor 35mm film were the major contributors to the worldwide volume gains in the third quarter and year to date.



In the Commercial Imaging segment, sales to customers inside the U.S. for the 1995 third quarter were down 1% from the third quarter a year ago. Year-to-date sales for 1995 were up 2% over the comparable period a year ago, which reflected a reduction for revenue adjustments on certain service agreements. Excluding these adjustments, sales were up slightly year to date as volume increases were partially offset by lower effective selling prices. Sales to customers outside the U.S. increased in the third quarter and were up significantly year to date when compared with 1994. In both the quarter and year-to-date periods, the benefits from increased unit volumes and the favorable effects of foreign currency rate changes were only partially offset by lower effective selling prices. Worldwide volume increases for the quarter and year to date were led by Motion Picture and Television Imaging and Digital and Applied Imaging products.

-----

COSTS AND EXPENSES

(in millions)	Third Quarter			Three Quarters		
	1995	1994	Change	1995	1994	Change
Gross profit	\$1,826	\$1,562	+17%	\$5,258	\$4,490	+17%
Percent of Sales	47.9%	44.3%		48.3%	46.2%	
Selling, general and administrative expenses	\$1,037	\$ 972	+7%	\$3,030	\$2,644	+15%
Percent of Sales	27.2%	27.5%		27.8%	27.2%	
Research and development costs	\$ 244	\$ 221	+10%	\$ 696	\$ 655	+6%
Percent of Sales	6.4%	6.3%		6.4%	6.7%	

-----

Gross profit as a percent of sales in the 1994 third quarter was reduced by approximately 1.3 percentage points due to purchase accounting adjustments relating to the acquisition of Qualex and incremental charges associated with asset valuations. The 1994 year-to-date gross profit percentage was reduced by approximately 0.8 percentage points due to these adjustments and adjustments related to repair part inventory valuations and revenue on certain service agreements. Excluding these adjustments, gross profit as a percent of sales increased 2.3 percentage points and 1.3 percentage points in the third quarter and year to date, respectively, as the benefits from higher volumes and manufacturing productivity gains more than offset the unfavorable effects of cost escalation and product mix changes. SG&A expenses increased 7% in the quarter and 15% for the year to date when compared with 1994. The quarter and year-to-date SG&A expense increases are due primarily to the unfavorable effects of foreign currency rate changes on locally incurred costs and higher distribution and administrative costs.

-----

Earnings from Operations  
by Industry Segment

(in millions)	Third Quarter			Three Quarters		
	1995	1994	Change	1995	1994	Change
Consumer Imaging	\$ 405	\$ 269	+51%	\$ 962	\$ 756	+27%
Percent of Sales	22.0%	16.7%		19.3%	18.1%	
Commercial Imaging	\$ 146	\$ 94	+55%	\$ 585	\$ 423	+38%
Percent of Sales	7.4%	4.9%		9.9%	7.6%	
	-----	-----	---	-----	-----	---
Total	\$ 551	\$ 363	+52%	\$1,547	\$1,179	+31%
	=====	=====	===	=====	=====	===

-----

SEGMENT EARNINGS

Consumer Imaging operating earnings increased sharply in the third quarter and year to date when compared with the comparable periods of last year. Benefits realized from increased unit volumes, manufacturing productivity and the favorable effects of foreign currency rate changes were only partially offset by increased SG&A expenses, cost escalation and lower effective selling prices. Operating earnings for the 1994 third quarter and year to date were

adversely impacted by \$55 million of incremental charges related to asset valuations and costs associated with the acquisition of Qualex.



Commercial Imaging segment operating earnings for the third quarter increased 55% over 1994 as the benefits from manufacturing productivity, lower SG&A costs and the favorable effects of foreign currency rate changes were only partially offset by cost escalation, lower effective selling prices and higher research and development costs. Year-to-date operating earnings were up 38% over a year ago as the benefits from manufacturing productivity, increased unit volumes and the favorable effects of foreign currency rate changes were only partially offset by cost escalation, lower effective selling prices and higher research and development costs. Third quarter 1994 operating earnings were adversely impacted by approximately \$35 million of incremental charges for asset valuations. For the 1994 year to date, these charges plus adjustments related to revenue on certain service agreements and repair parts inventory valuations reduced operating earnings by approximately \$83 million.

---

#### OTHER REVENUES AND COSTS

Earnings from equity interests and other revenues were higher in the quarter and year to date, when compared with the comparable periods of 1994, due primarily to increased interest income earned on higher average cash balances and increased earnings from equity interests. Earnings from equity interests in 1994 included a loss of \$7 million in the third quarter and \$13 million in the year to date for the period during which the investment in Qualex was accounted for using the equity method. Interest expense for the 1995 third quarter and year to date decreased, when compared with 1994, due to lower average borrowings. The net effect of foreign exchange transactions and the translation of net monetary items in highly inflationary economies was a loss of \$31 million in the 1995 third quarter and \$41 million for the year to date compared with losses of \$6 million and \$50 million in the 1994 third quarter and year to date, respectively. The 1995 year-to-date effective tax rate was 36% compared with 37% for 1994.

---

#### CASH DIVIDENDS

During the third quarter of 1995, a cash dividend of \$136 million (40 cents per share) was declared on the Company's common stock. Total cash dividends declared for the year-to-date periods of 1995 and 1994 amounted to \$409 million and \$401 million, respectively.

#### FINANCIAL POSITION

Cash and marketable securities were \$1,333 million at the end of the third quarter compared with \$2,068 million at year-end 1994. This decrease includes the effect of approximately \$1.3 billion of tax payments related to the divestiture of the non-imaging health businesses. Net working capital at the end of the quarter increased to \$2,647 million from \$1,948 million at year-end 1994, primarily due to an increase in inventories. Projected operating cash flows are expected to be adequate to support normal business operations, planned capital expenditures and dividend payments in 1995.

On October 17, 1995, the Company announced it plans to repurchase up to \$1 billion of its outstanding common stock. The stock repurchase will be made from available cash reserves, cash from operations and new borrowings to the extent necessary. The repurchase is expected to be completed over the next nine months. The Company also announced its intention to contribute approximately \$500 million of Kodak stock to its defined benefit pension plan in the U.S. This contribution will provide a funding level consistent with the Company's view of what will be needed to meet future obligations of the plan. Based on prices in effect as of October 17, 1995, the net reduction in outstanding common shares from the stock repurchase and pension plan contribution will be approximately 2.5%.

#### CAPITAL ADDITIONS

Capital additions for the third quarter of 1995 were \$236 million compared with \$187 million for the third quarter of 1994. For the 1995 year to date, capital additions were \$695 million compared with \$814 million a year ago. Year-to-date 1994 capital additions include approximately \$292 million of equipment previously leased and subsequently purchased upon the termination of a Master Lease agreement. The provision for depreciation for the first three quarters of 1995 was \$592 million compared with \$582 million for the comparable period of 1994.



## Part II. OTHER INFORMATION

## Item 1. Legal Proceedings

In April 1987, the Company was sued in federal district court in San Francisco by a number of independent service organizations who alleged violations of Sections 1 and 2 of the Sherman Act and of various state statutes in the sale by the Company of repair parts for its copier and micrographics equipment (Image Technical Service, Inc. (ITS), et al v. Eastman Kodak Company). The complaint sought unspecified compensatory and punitive damages. Trial began on June 19, 1995 and concluded on September 18, 1995 with a jury verdict for plaintiffs of \$23,948,300, before trebling. The Company intends to appeal the jury's verdict and otherwise to continue to defend this action vigorously.

Two cases that raise essentially the same antitrust issues as ITS are pending in federal district court in San Francisco (Nationwide, et al v. Eastman Kodak Company, filed March 10, 1995, and A-1 Copy Center, et al v. Eastman Kodak Company, filed December 13, 1993, the latter a consolidated class action). The complaints in Nationwide and A-1 seek unspecified compensatory and punitive damages. Discovery was stayed in both cases pending completion of the ITS trial. The Company expects that activity in both these cases will now accelerate, with the possibility of trials within the next two years. As is the case in ITS, the Company is defending both of these matters vigorously.

The Company is participating in the Environmental Protection Agency's (EPA) Toxic Substances Control Act (TSCA) Section 8 (e) Compliance Audit Program. As a participant, the Company has agreed to audit its files for materials which under current EPA guidelines would be subject to notification under Section 8 (e) of TSCA and to pay stipulated penalties for each report submitted under this program. The Company anticipates that its liability under the Program will be \$1,000,000.

In addition to the foregoing environmental action, the Company has been designated as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (the Superfund law), or under similar state laws, for environmental assessment and cleanup costs as the result of the Company's alleged arrangements for disposal of hazardous substances at approximately twenty-five Superfund sites. With respect to each of these sites, the Company's actual or potential allocated share of responsibility is small. Furthermore, numerous other PRPs have similarly been designated at these sites and, although the law imposes joint and several liability on PRPs, as a practical matter, costs are shared with other PRPs. Settlements and costs paid by the Company in Superfund matters to date have not been material. Future costs are also not expected to be material to the Company's financial condition or results of operations.

## Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits and financial statement schedules required as part of this report are listed in the index appearing on page 11.
- (b) Reports on Form 8-K  
No reports on Form 8-K were filed or required to be filed for the quarter ended September 30, 1995.



## 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 November 3, 1995

David J. FitzPatrick, Controller,  
Principal Accounting Officer and  
Duly Authorized Officer



Eastman Kodak Company and Subsidiary Companies  
Index to Exhibits and Financial Statement Schedules

Exhibit	Page No.
(11) Computation of Earnings Per Common Share	12
(27) Financial Data Schedule, Exhibit (27) - Submitted with the EDGAR filing as a second document to this Form 10-Q	



## Eastman Kodak Company and Subsidiary Companies

## Computation of Earnings Per Common Share

	Third Quarter		Three Quarters	
	1995	1994	1995	1994
	(in millions, except per share amounts)			
Earnings from continuing operations before extraordinary item	\$ 338	\$ 193	\$ 977	\$ 633
Loss from discontinued operations	-	-	-	(81)
Earnings before extraordinary item	338	193	977	552
Extraordinary item	-	-	-	(13)
Net Earnings	\$ 338 =====	\$ 193 =====	\$ 977 =====	\$ 539 =====
Average number of common shares outstanding	342.0	339.4	341.1	334.3
Earnings per share from continuing operations before extraordinary item	\$ .99	\$ .57	\$2.86	\$1.89
Loss per share from discontinued operations	-	-	-	(.24)
Earnings per share before extraordinary item	.99	.57	2.86	1.65
Extraordinary item	-	-	-	(.04)
Earnings per share	\$ .99 =====	\$ .57 =====	\$2.86 =====	\$1.61 =====

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE THIRD QUARTER 1995 FORM 10-Q OF EASTMAN KODAK COMPANY, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000031235  
 EASTMAN KODAK COMPANY  
 1,000,000  
 U.S. DOLLARS

9-MOS	DEC-31-1995	JAN-01-1995	SEP-30-1995
	1.0		
		1,268	
	65		
	3,076		
	124		
	1,947		
	7,069	12,623	
	7,275		
	14,413		
4,422			
		653	
		972	
0			
		0	
		3,788	
14,413			
		10,888	
	11,078		
		5,630	
	5,630		
	3,864		
	0		
	58		
	1,526		
	549		
977			
	0		
	0		
		0	
		977	
	2.86		
	0		