

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): January 22, 2004

Eastman Kodak Company  
(Exact name of registrant as specified in charter)

New Jersey	1-87	16-0417150
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

343 State Street,  
Rochester, New York 14650  
(Address of Principal Executive Office) (Zip Code)

Registrant's telephone number, including area code (585) 724-4000  
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Item 7. Financial Statements and Exhibits  
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(c) Exhibits  
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Exhibit	99.1 Press release issued January 22, 2004 regarding financial results for fourth quarter of 2003	Furnished with this document
Exhibit	99.2 Financial discussion document issued January 22, 2004 regarding financial results for fourth quarter of 2003	Furnished with this document

Item 12. Results of Operations and Financial Condition  
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On January 22, 2004, Eastman Kodak Company issued a press release and a supplemental financial discussion document describing its financial results for its fourth fiscal quarter ended December 31, 2003. Copies of the press release and financial discussion document are attached as Exhibits 99.1 and 99.2, respectively, to this report.

Within the Company's fourth quarter 2003 press release and financial discussion document, the Company makes reference to certain non-GAAP financial measures including "Income from continuing operations, excluding non-operational items", "Operating cash flow", "Investable cash flow" and "Operating cash flow excluding acquisitions", which have a directly comparable GAAP financial measure, and to certain calculations that are based on non-GAAP financial measures, including "Days sales outstanding" and "Days supply in inventory." The Company believes that these measures represent important internal measures of performance. Accordingly, where these non-GAAP measures are provided, it is done so that investors have the same financial data that management uses with the belief that it will assist the investment community in properly assessing the underlying performance of the company on a year-over-year and quarter-sequential basis. Whenever such information is presented, the Company has complied with the

provisions of the rules under Regulation G and Item 12 of Form 8-K. The specific reasons, in addition to the reasons described above, why the Company's management believes that the presentation of the non-GAAP financial measures provides useful information to investors regarding Kodak's financial condition, results of operations and cash flows are as follows:

Income from continuing operations, excluding non-operational items - The Company's management believes that presenting income from continuing operations, excluding non-operational items, is an important additional measure of performance that can be used for comparing results between reporting periods. These operating measures represent the principle internal measures of performance, and form the basis of internal management performance expectations and incentive compensation.

Operating cash flow / Investable cash flow / Operating cash flow excluding acquisitions - The Company believes that the presentation of operating cash

flow, investable cash flow and operating cash flow excluding acquisitions is useful information to investors as they facilitate the comparison of cash flows between reporting periods. In addition, management utilizes these measures as tools to assess the Company's ability to repay debt and repurchase its own common stock, after it has satisfied its working capital needs, dividends, and funded capital expenditures, acquisitions and investments. The operating cash flow measure equals net cash provided by continuing operations, as determined under Generally Accepted Accounting Principles in the U.S. (U.S. GAAP), plus proceeds from the sale of assets minus capital expenditures, acquisitions, debt assumed in acquisitions, investments in unconsolidated affiliates and dividends. The investable cash flow measure equals operating cash flow excluding the impact of acquisitions and debt assumed in acquisitions. The operating cash flow excluding acquisitions measure equals the net cash provided by continuing operations, as determined under U.S. GAAP, plus proceeds from the sale of assets minus capital expenditures, investments in unconsolidated affiliates and dividends, and yields the same result as the investable cash flow measure. Accordingly, the Company believes that the presentation of this information is useful to investors as it provides them with the same data as management uses to facilitate their assessment of the Company's cash position.

Days sales outstanding (DSO) - The Company believes that the presentation of a DSO result that includes the impact of reclassifying rebates as an offset to receivables is useful information to investors, as this calculation is more reflective of the Company's receivables performance and cash collection efforts due to the fact that most customers reduce their actual cash payment to the Company by the amount of rebates owed to them.

Days supply in inventory (DSI) - The Company believes that the presentation of a DSI result that is based on inventory before the LIFO reserve is useful information to investors, as this calculation is more reflective of the Company's actual inventory turns due to the fact that the inventory values in the calculation are based on current cost.

SIGNATURES

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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 hereunto duly authorized.

EASTMAN KODAK COMPANY

By: /s/ Richard G. Brown

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Name: Richard G. Brown

Title: Controller

Date: January 22, 2004

EXHIBIT INDEX  
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Exhibit No. -----	Description -----
99.1	Press release issued January 22, 2004 regarding financial results for fourth quarter 2003
99.2	Financial discussion document issued January 22, 2004 regarding financial results for fourth quarter 2003

Kodak Has 4th-Quarter Reported Net Income of 7 Cents Per Share;  
EPS from Continuing Operations, Excluding Non-Operational Items, Totals 70 Cents

ROCHESTER, N.Y.--(BUSINESS WIRE)--Jan. 22, 2004--Eastman Kodak Company today said fourth-quarter reported net income totaled 7 cents per share and operating cash flow excluding acquisitions was in line with the company's expectations, reflecting the improving financial performance in Kodak's digital products and services.

Kodak's net income for the quarter included a gain from discontinued operations of 4 cents per share and net income from continuing operations of 3 cents per share. Excluding the impact of previously announced focused cost reductions and other one-time items, earnings from continuing operations were 70 cents per share. The earnings include the positive impact of changes in estimates, totaling 11 cents per share, relating to employee-benefit and incentive-compensation accruals reported in prior quarters. The company's earnings guidance for 2003 was a range of \$2.10 per share to \$2.20 per share, implying fourth-quarter 2003 guidance of 48 cents per share to 58 cents per share.

For the fourth quarter of 2003:

- Sales totaled \$3.778 billion, an increase of 10% from \$3.441 billion in the fourth quarter of 2002. Excluding foreign exchange, sales increased 4%.
- The company reported net income of \$19 million, or 7 cents per share, compared with reported net income of \$113 million, or 39 cents per share, in the fourth quarter of 2002. The net gain from discontinued operations of 4 cents per share reflects the reversal of certain environmental and tax reserves that are no longer required.
- Earnings from continuing operations, excluding the impact of focused cost reductions and other one-time items, were \$199 million, or 70 cents per share. The adjustments include a charge of 66 cents per share related to the previously announced focused cost reductions; a charge of 2 cents per share for purchased R&D; a charge of 2 cents per share related to legal settlements; and a one-cent per share charge related to the write-down of venture investments. These charges were offset in part by a reversal of an environmental reserve and a tax benefit related to the donation of certain patents totaling 4 cents per share. In the fourth quarter of 2002, earnings from continuing operations, excluding restructuring and other one-time items, were \$191 million, or 65 cents per share.

"Kodak continues to deliver on its strategy by growing our digital businesses and managing smartly our traditional businesses," said Kodak Chairman and Chief Executive Officer, Daniel A. Carp. "We expect the economics of our digital businesses to continue to improve in 2004, and we will continue our effort to reduce costs across all of our operations. We also anticipate generating enough cash flow in 2004 to pay down debt while maintaining the required level of investment to pursue our strategic objectives."

Other fourth-quarter 2003 highlights from continuing operations:

- Kodak recorded solid cash flow for the quarter and for the year.
- For the quarter, operating cash flow excluding acquisitions was \$525 million, an increase of \$112 million from the fourth quarter of 2002. The increase reflects the previously announced change to the dividend payout, offset in part by a smaller decline in receivables than occurred in the year-ago quarter. (Kodak defines operating cash flow excluding acquisitions as net cash provided by continuing operations, as determined under Generally Accepted Accounting Principles in the U.S. (U.S. GAAP), plus proceeds from the sale of assets minus capital expenditures, investments in unconsolidated affiliates and dividends.)
- For the year, operating cash flow excluding acquisitions was \$727 million, compared with \$1.020 billion in 2002.
- Debt increased \$642 million from the year-ago level to \$3.248 billion, and the company's debt-to-capital ratio increased to

49.9% from 48.4% a year ago. The company held \$1.250 billion in cash on its balance sheet at the end of the year, up from \$569 million at the end of 2002. Net debt, or total debt minus cash, totaled \$1.998 billion at the end of 2003, compared with \$2.037 billion at the end of 2002.

- Gross Profit on an operational basis declined to 32.6%, down from the year-ago level of 35.5%.
- Selling, General and Administrative expenses on an operational basis were 19.2% of sales, down from 20.2% in the year-ago quarter.

The segment results from continuing operations for the fourth quarter of 2003 are as follows:

- Photography segment sales totaled \$2.618 billion, up 9%. Earnings from operations for the segment were \$141 million on a GAAP and an operational basis, down from \$174 million a year ago. Highlights for the quarter included an 87% increase in sales of KODAK EASYSHARE consumer digital cameras; strong sales of the KODAK EASYSHARE Printer Docks; a 55% increase in online photofinishing sales by Ofoto; an 11% increase in sales of photo-quality inkjet paper; and a 7% increase in the sales of KODAK Picture Maker kiosks and related media. For the full-year 2003, the company estimates that worldwide consumer film industry volumes declined about 8%.
- Health Imaging sales were \$704 million, up 14%. Earnings from operations for the segment were \$134 million on an operational basis, up from \$117 million a year ago. On a GAAP basis, earnings from operations were \$124 million in the fourth quarter of 2003. The exclusion of \$10 million for in-process R&D charges accounts for the difference in the operational and GAAP earnings from operations for the segment. Highlights included a 26% increase in sales of digital products and services, among them the KODAK DIRECTVIEW PACS System 5 for radiologists.
- Commercial Imaging sales were \$432 million, up 9%. Earnings from operations were unchanged at \$49 million on a GAAP and an operational basis. The segment's results reflect in part strong sales of document scanners, and a positive sales and earnings contribution from the modification of a long-term contract.
- All Other sales were \$24 million, down 4% from the year-ago quarter. Losses from operations totaled \$20 million on a GAAP and an operational basis, compared with losses of \$7 million. The All Other category includes Sensors, Optics and miscellaneous businesses, as well as the Kodak Display business.

Full-year results:

- For the year, sales were \$13.317 billion, up 4% compared with \$12.835 billion in 2002. Excluding the impact of currency, sales were down 1% compared with a year ago.
- Net earnings for the year totaled \$265 million, or 92 cents a share, compared with \$770 million, or \$2.64 per share, in 2002. Excluding the discontinued operations, earnings from continuing operations totaled \$238 million, or 83 cents per share. Excluding the impact of focused cost reductions and other one-time items, earnings from continuing operations in 2003 were \$662 million, or \$2.31 per share. In 2002, earnings from continuing operations, excluding focused cost reductions and other one-time items, were \$787 million, or \$2.70 per share.

Earnings Outlook:

- For 2004, Kodak expects operational per-share earnings to range between \$2.25 and \$2.55, and GAAP earnings to range between 80 cents and \$1.30. The company also expects operating cash flow excluding acquisitions of \$485 million to \$615 million, based on sales of \$13.8 billion to \$14.2 billion. For the first quarter, the company expects operational earnings per share to approximate those of the year-ago period.

Operational items are non-GAAP financial measures as defined by

the Securities and Exchange Commission's final rules under "Conditions for Use of Non-GAAP Financial Measures." Reconciliations of operational items included in this press release to the most directly comparable GAAP financial measures can be found in the Financial Discussion Document attached to this press release.

Certain statements in this press release may be forward looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to expectations for the Company's growth in sales and earnings, cash generation, tax rate, and debt are forward-looking statements.

Actual results may differ from those expressed or implied in forward-looking statements. In addition, any forward-looking statements represent our estimates only as of the date they are made, and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change. The forward-looking statements contained in this press release are subject to a number of factors and uncertainties, including:

- The successful implementation of our recently announced digitally-oriented growth strategy;
- Implementation of product strategies (including category expansion, digitization, organic light emitting diode (OLED), and digital products);
- Implementation of intellectual property licensing strategies;
- Development and implementation of e-commerce strategies;
- Completion of information systems upgrades, including SAP, our enterprise system software;
- Completion of various portfolio actions;
- Reduction of inventories;
- Integration of newly acquired businesses;
- Improvement in manufacturing productivity and techniques;
- Improvement in receivables performance;
- Reduction in capital expenditures;
- Improvement in supply chain efficiency;
- Implementation of future focused cost reductions, including personnel reductions;
- Development of our business in emerging markets like China, India, Brazil, Mexico and Russia;
- Inherent unpredictability of currency fluctuations and raw material costs;
- Competitive actions, including pricing;
- The nature and pace of technology evolution, including the analog-to-digital transition;
- Continuing customer consolidation and buying power;
- General economic, business, geopolitical and public health conditions; and
- Other factors and uncertainties disclosed from time to time in our filings with the Securities and Exchange Commission.

Any forward-looking statements in this press release should be evaluated in light of these important factors and uncertainties.

Editor's Note: For additional information about Kodak, visit our web site on the Internet at:



Eastman Kodak Company and Subsidiary Companies  
 CONSOLIDATED STATEMENT OF EARNINGS - UNAUDITED  
 (in millions, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2003	2002	2003	2002
Net sales	\$3,778	\$3,441	\$13,317	\$12,835
Cost of goods sold	2,561	2,235	9,033	8,225
Gross profit	1,217	1,206	4,284	4,610
Selling, general and administrative expenses	727	703	2,648	2,530
Research and development costs	214	195	781	762
Restructuring costs and other	256	107	484	98
Earnings from continuing operations before interest, other charges, and income taxes	20	201	371	1,220
Interest expense	44	45	148	173
Other charges	12	27	51	101
(Loss) earnings from continuing operations before income taxes	(36)	129	172	946
(Benefit) provision for income taxes	(43)	(1)	(66)	153
Earnings from continuing operations	7	130	238	793
Earnings (loss) from discontinued operations, net of provision for income taxes for the three and twelve months ended Dec. 31, 2003 of \$5, and net of income tax benefits for the three and twelve months ended Dec. 31, 2002 of \$11 and \$15, respectively	12	(17)	27	(23)
NET EARNINGS	\$ 19	\$ 113	\$ 265	\$ 770
Basic and diluted earnings (loss) per share:				
Continuing operations	\$ .03	\$ .45	\$ .83	\$ 2.72
Discontinued operations	.04	(.06)	.09	(.08)
Total	\$ .07	\$ .39	\$ .92	\$ 2.64
Number of common shares used in basic earnings (loss) per share	286.6	291.0	286.5	291.5
Incremental shares from assumed conversion of options	0.0	0.9	0.1	0.2
Number of common shares				

used in diluted earnings (loss) per share	286.6	291.9	286.6	291.7
	=====	=====	=====	=====
Cash dividends per share	\$ .00	\$ .90	\$ 1.15	\$ 1.80
	=====	=====	=====	=====

SUPPLEMENTAL INFORMATION - UNAUDITED  
(in millions)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2003	2002	2003	2002
Provision for depreciation	\$ 210	\$ 217	\$ 830	\$ 818
After-tax exchange (losses) gains and effect of translation of net monetary items	(6)	2	(17)	(14)
Cash dividends declared	-	264	330	525
Capital expenditures	153	215	506	577

Net Sales from Continuing Operations by Reportable Segment and All  
Other - Unaudited  
(in millions)

	Three Months Ended			Twelve Months Ended		
	December 31			December 31		
	2003	2002	Change	2003	2002	Change
Photography						
Inside the U.S.	\$1,144	\$1,101	+ 4%	\$ 3,812	\$ 4,034	- 6%
Outside the U.S.	1,474	1,300	+13	5,420	4,968	+ 9
Total Photography	2,618	2,401	+ 9	9,232	9,002	+ 3
Health Imaging						
Inside the U.S.	306	297	+ 3	1,061	1,088	- 2
Outside the U.S.	398	322	+24	1,370	1,186	+16
Total Health Imaging	704	619	+14	2,431	2,274	+ 7
Commercial Imaging						
Inside the U.S.	255	226	+13	912	818	+11
Outside the U.S.	177	170	+ 4	647	638	+ 1
Total Commercial Imaging	432	396	+ 9	1,559	1,456	+ 7
All Other						
Inside the U.S.	9	13	-31	44	53	-17
Outside the U.S.	15	12	+25	51	50	+ 2
Total All Other	24	25	- 4	95	103	- 8
Consolidated total	\$3,778	\$3,441	+10%	\$13,317	\$12,835	+ 4%

Earnings (Loss) from Continuing Operations Before Interest, Other  
Charges, and Income Taxes by Reportable Segment and All Other -  
Unaudited  
(in millions)

	Three Months Ended			Twelve Months Ended		
	December 31			December 31		
	2003	2002	Change	2003	2002	Change
Photography	\$ 141	\$ 174	- 19%	\$ 418	\$ 771	- 46%
Percent of Sales	5.4%	7.2%		4.5%	8.6%	

Health Imaging	\$ 124	\$ 117	+ 6%	\$ 481	\$ 431	+ 12%
Percent of Sales	17.6%	18.9%		19.8%	19.0%	
Commercial Imaging	\$ 49	\$ 49	0%	\$ 166	\$ 192	- 14%
Percent of Sales	11.3%	12.4%		10.6%	13.2%	
All Other	\$ (20)	\$ (7)	-186%	\$ (78)	\$ (28)	-179%
Percent of Sales	(83.3%)	(28.0%)		(82.1%)	(27.2%)	
Total of segments	\$ 294	\$ 333	- 12%	\$ 987	\$1,366	- 28%
Percent of Sales	7.8%	9.7%		7.4%	10.6%	
Strategic asset impairments	(3)	(9)		(3)	(32)	
Impairment of Burrell Companies' net assets held for sale	-	-		(9)	-	
Restructuring costs and other	(272)	(123)		(557)	(114)	
Donation to technology enterprise	-	-		(8)	-	
GE settlement	-	-		(12)	-	
Patent infringement claim settlement	-	-		(14)	-	
Prior year acquisition settlement	-	-		(14)	-	
Legal settlements	(8)	-		(8)	-	
Environmental reserve reversal	9	-		9	-	
Consolidated total	\$ 20	\$ 201	- 90%	\$ 371	\$1,220	- 70%
Percent of Sales	1.0%	5.8%		2.8%	9.5%	

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Earnings (Loss) From Continuing Operations by Reportable Segment and All Other - Unaudited  
(in millions)

	Three Months Ended			Twelve Months Ended		
	December 31			December 31		
	2003	2002	Change	2003	2002	Change
Photography	\$ 123	\$ 140	- 12%	\$ 347	\$ 550	- 37%
Percent of Sales	4.7%	5.8%		3.8%	6.1%	
Health Imaging	\$ 95	\$ 92	+ 3%	\$ 382	\$ 313	+ 22%
Percent of Sales	13.5%	14.9%		15.7%	13.8%	
Commercial Imaging	\$ 32	\$ 11	+191%	\$ 99	\$ 83	+ 19%
Percent of Sales	7.4%	2.8%		6.4%	5.7%	
All Other	\$ (21)	\$ (4)	-425%	\$ (73)	\$ (23)	-217%
Percent of Sales	(87.5%)	(16.0%)		(76.8%)	(22.3%)	
Total of segments	\$ 229	\$ 239	- 4%	\$ 755	\$ 923	- 18%
Percent of Sales	6.1%	6.9%		5.7%	7.2%	
Strategic asset & venture investment impairments	(7)	(16)		(7)	(50)	
Impairment of Burrell Companies' net assets held for sale	-	-		(9)	-	
Restructuring costs and other	(272)	(123)		(557)	(114)	
Donation to technology enterprise	-	-		(8)	-	
GE settlement	-	-		(12)	-	
Patent infringement claim settlement	-	-		(14)	-	
Prior year acquisition settlement	-	-		(14)	-	
Legal settlements	(8)	-		(8)	-	
Environmental reserve reversal	9	-		9	-	
Interest expense	(44)	(45)		(148)	(173)	
Other corporate items	3	5		11	14	

Tax benefit - contribution of patents	5	-	13	-
Tax benefit - PictureVision subsidiary closure	-	-	-	45
Tax benefit - Kodak Imagex Japan	-	-	-	46
Income tax effects on above items and taxes not allocated to segments	92	70	227	102
	-----	-----	-----	-----
Consolidated total	\$ 7	\$ 130 - 95%	\$ 238	\$ 793 - 70%
	=====	=====	=====	=====
Percent of Sales	0.2%	3.8%	1.8%	6.2%

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Eastman Kodak Company and Subsidiary Companies  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(in millions)

	Dec. 31, 2003 (Unaudited)	Dec. 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,250	\$ 569
Receivables, net	2,389	2,234
Inventories, net	1,075	1,062
Deferred income taxes	610	512
Other current assets	131	157
	-----	-----
Total current assets	5,455	4,534
	-----	-----
Property, plant and equipment, net	5,094	5,420
Goodwill, net	1,384	981
Other long-term assets	2,826	2,559
	-----	-----
TOTAL ASSETS	\$14,759	\$13,494
	=====	=====

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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and other current liabilities	\$ 3,707	\$ 3,351
Short-term borrowings	946	1,442
Accrued income taxes	595	709
	-----	-----
Total current liabilities	5,248	5,502

OTHER LIABILITIES

Long-term debt, net of current portion	2,302	1,164
Postretirement liabilities	3,344	3,412
Other long-term liabilities	601	639
	-----	-----
Total liabilities	11,495	10,717

SHAREHOLDERS' EQUITY

Common stock at par	978	978
Additional paid in capital	850	849
Retained earnings	7,527	7,611
Accumulated other comprehensive loss	(231)	(771)
Unearned restricted stock	(8)	-
	-----	-----
	9,116	8,667
Less: Treasury stock at cost	5,852	5,890
	-----	-----

Total shareholders' equity	3,264	2,777
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$14,759	\$13,494
	=====	=====

Eastman Kodak Company and Subsidiary Companies  
CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED  
(in millions)

	Twelve Months Ended	
	December 31	
	2003	2002
	-----	-----
Cash flows relating to operating activities:		
Net earnings \$ 265 \$ 770		
Adjustments to reconcile to net cash provided by operating activities:		
(Gain) loss from discontinued operations	(27)	23
Equity in losses from unconsolidated affiliates	52	105
Gain on sale of assets	(11)	(24)
Depreciation and amortization	830	818
Purchased research and development	32	-
Restructuring costs, asset impairments and other non-cash charges	156	85
Provision (benefit) for deferred taxes	43	(224)
(Increase) decrease in receivables	(9)	263
Decrease in inventories	128	88
Increase in liabilities excluding borrowings	18	29
Other items, net	149	285
	-----	-----
Total adjustments	1,361	1,448
	-----	-----
Net cash provided by continuing operations	1,626	2,218
	-----	-----
Net cash provided by (used in) discontinued operations	19	(14)
	-----	-----
Net cash provided by operating activities	1,645	2,204
	-----	-----
Cash flows relating to investing activities:		
Additions to properties	(506)	(577)
Net proceeds from sales of businesses/assets	26	27
Acquisitions, net of cash acquired	(697)	(72)
Investments in unconsolidated affiliates	(89)	(123)
Marketable securities - purchases	(87)	(101)
Marketable securities - sales	86	88
	-----	-----
Net cash used in investing activities	(1,267)	(758)
	-----	-----
Cash flows relating to financing activities:		
Net decrease in borrowings with original maturity of 90 days or less	(574)	(210)
Proceeds from other borrowings	1,693	759
Repayment of other borrowings	(531)	(1,146)
Dividend payments	(330)	(525)
Exercise of employee stock options	12	51
Stock repurchase programs	-	(260)
	-----	-----
Net cash provided by (used in) financing activities	270	(1,331)
	-----	-----
Effect of exchange rate changes on cash	33	6
	-----	-----

Net increase in cash and cash equivalents	681	121
Cash and cash equivalents, beginning of year	569	448
	-----	-----
Cash and cash equivalents, end of year	\$1,250	\$ 569
	=====	=====

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Eastman Kodak Company Financial Discussion Document  
Fourth Quarter 2003 Results

2003 Compared with 2002

Fourth quarter, 2003 presentation reflects the adoption of the Securities and Exchange Commission's final rules under "Conditions for Use of Non-GAAP Financial Measures," which require that financial information be presented on a basis that conforms with generally accepted accounting principles (GAAP) in the U.S. As a result, the financial discussion which follows reflects the company's results from continuing operations on an "as reported" or "GAAP" basis. However, the Company also believes that presenting income from continuing operations excluding non-operational items is an important additional measure of performance that can be used for comparing results between reporting periods. Accordingly, the Company has included analysis based on non-GAAP financial measures in the discussion below.

New Kodak Operating Model and Change in Reporting Structure:

On August 21, 2003, the Company announced an organizational realignment, which will become effective January 1, 2004, changing the corporate segment reporting structure beginning with the first quarter of 2004 reported in April. The intent of these changes is to accelerate growth in commercial and consumer digital imaging markets.

Through year-end 2003, Kodak reported financial information for three reportable segments: Photography, Health Imaging, and Commercial Imaging, and All Other. The bridge from the previous segment reporting to the new reporting structure is outlined below:

- -- Digital and Film Imaging Systems Segment: correlates to the current Photography Segment and is comprised of Consumer and Professional Imaging products and services, Entertainment Imaging products and services, and Digital and Applied Imaging products and services.
- -- Health Imaging Segment remains unchanged.
- -- Commercial Imaging Segment: comprised of Document Imaging products and services, Commercial and Government Systems products and services, Services and Support, and Optics.
- -- Commercial Printing Segment: comprised of NexPress (Kodak's 50/50 joint venture with Heidelberg) and Kodak Polychrome Graphics (Kodak's 50/50 joint venture with Sun Chemical), relating to which, Kodak records its share of income or losses in Other charges; and the graphics and wide format inkjet businesses. All of the above were formerly included in Commercial Imaging. Beginning in the first quarter of 2004, this segment will also include results related to the Scitex Digital Printing acquisition.
- -- All Other includes Kodak's Display and Components business for OLED (Organic Light Emitting Diode) and sensors. Also included within All Other are small, miscellaneous businesses, which generate sales and earnings for the Company.

Fourth Quarter

Consolidated Revenues:

Net worldwide sales were \$3.778 billion for the fourth quarter of 2003 as compared with \$3.441 billion for the fourth quarter of 2002, representing an increase of \$337 million or 10% as reported, or an increase of 4% excluding the favorable impact of exchange. The increase in net sales was comprised of:

- Acquisition: The PracticeWorks acquisition contributed \$48 million or approximately 1.0 percentage point to fourth quarter sales.
- Volume: increases in volume contributed approximately 7.0 percentage points to fourth quarter sales driven primarily by consumer digital cameras, one-time-use cameras, and Health Imaging digital capture solutions.

- Price/Mix: declines in price/mix reduced fourth quarter sales by approximately 4.0 percentage points, primarily driven by consumer digital cameras and traditional consumer products and services.
- Exchange: favorable exchange of approximately 6.0 percentage points offset the negative impacts of price/mix.

Net sales in the U.S. were \$1.714 billion for the fourth quarter of 2003 as compared with \$1.637 billion for the prior year quarter, representing an increase of \$77 million, or 5%. Net sales outside the U.S. were \$2.064 billion for the current quarter as compared with \$1.804 billion for the fourth quarter of 2002, representing an increase of \$260 million, or 14% as reported, or an increase of 3% excluding the favorable impact of exchange.

#### Non-U.S. Revenues:

The Company's operations outside the U.S. are reported in three regions: (1) the Europe, Africa and Middle East region ("EAMER"), (2) the Asia Pacific region and (3) the Canada and Latin America region.

Net sales in the EAMER region were \$1.001 billion for the fourth quarter of 2003 as compared with \$863 million for the prior year quarter, representing an increase of \$138 million or 16% as reported, or an increase of 4% excluding the favorable impact of exchange.

Net sales in the Asia Pacific region were \$692 million for the current quarter as compared with \$621 million for the prior year quarter, representing an increase of \$71 million, or 11% as reported, or an increase of 1% excluding the favorable impact of exchange.

Net sales in the Canada and Latin America region were \$371 million in the current quarter as compared with \$320 million for the fourth quarter of 2002, representing an increase of \$51 million, or 16% as reported, or an increase of 8% excluding the favorable impact of exchange.

#### Emerging Markets:

The Company's major emerging markets include China, Brazil, Mexico, Russia, India, Korea, Hong Kong and Taiwan. Net sales in emerging markets were \$734 million for the fourth quarter of 2003 as compared with \$643 million for the prior year quarter, representing an increase of \$91 million, or 14% as reported, or an increase of 11% excluding the favorable impact of exchange. The emerging market portfolio accounted for approximately 19% of Kodak's worldwide sales and 36% of Kodak's non-U.S. sales in the quarter. Sales growth was recorded for all major emerging markets including China +29%, Russia +24%, India +20%, Mexico +5% and Brazil +5%.

Sales increases in China resulted from strong business performance for all Kodak's operations in that region. The increase in sales in Russia is the result of continued growth from Kodak Express and the Company's efforts to expand distribution channels for Kodak products and services. Sales increases in India were driven by the continued success from the Company's efforts to increase the level of camera ownership and to increase the number of Photoshop retail stores.

#### Gross Profit:

##### GAAP:

Gross profit was \$1.217 billion for the fourth quarter of 2003 as compared with \$1.206 billion for the fourth quarter of 2002, representing an increase of \$11 million, or 1%. The gross profit margin was 32.2% in the current quarter as compared with 35.0% in the prior year quarter. The 2.8 percentage point decrease was primarily attributable to:

- Price/Mix: declines attributable to price/mix reduced gross profit margins by approximately 7.0 percentage points. These declines relate primarily to product mix impacts in the Photography Segment with volume increases in low margin products and volume decreases in higher margin traditional products. Negative price was driven primarily by consumer digital cameras and traditional consumer products and services.
- Manufacturing Cost: despite \$16 million of charges for accelerated depreciation associated with ongoing cost reduction programs, manufacturing cost favorably impacted gross profit margins by approximately 3.0 percentage points primarily as a result of continuing cost reduction actions.
- Exchange: favorably impacted gross profit margins by approximately 1.0 percentage point.



Operational:

Excluding charges of \$16 million relating to accelerated depreciation, gross profit on an operational basis was \$1.233 billion for the fourth quarter of 2003 as compared with \$1.222 billion for the fourth quarter of 2002, representing an increase of \$11 million, or 1%. The gross profit margin was 32.6% in the current quarter as compared with 35.5% in the prior year quarter. The 2.9 percentage point decrease was primarily attributable to:

- Price/Mix: declines attributable to price/mix reduced gross profit margins by approximately 7.0 percentage points.
- Manufacturing Cost: manufacturing cost favorably impacted gross profit margins by approximately 3.0 percentage points.
- Exchange: favorably impacted gross profit margins by approximately 1.0 percentage point.

Selling, General and Administrative Expenses:

GAAP:

Selling, general and administrative expenses (SG&A) were \$727 million for the fourth quarter of 2003 as compared with \$703 million for the prior year quarter, representing an increase of \$24 million, or 3%. SG&A decreased as a percentage of sales from 20.4% for the fourth quarter of 2002 to 19.2% for the current quarter. The increase in SG&A is primarily attributable to the following:

- Unfavorable exchange of \$34 million.
- Acquisition related SG&A of \$23 million.
- A charge of \$8 million related to legal settlements (non-operational).
- A charge of \$3 million for strategic asset impairments (non-operational).

These increases were partially offset by:

- Environmental reserve reversals of \$9 million (non-operational).
- SG&A cost reduction actions.

Operational:

Excluding the non-operational charges noted above, SG&A expenses on an operational basis were \$725 million for the fourth quarter of 2003 as compared with \$694 million for the prior year quarter, representing an increase of \$31 million, or 4%. The increase in SG&A is primarily attributable to unfavorable exchange of \$34 million, spending increases in support of sales growth initiatives, and acquisitions. As a percentage of sales, SG&A decreased from 20.2% for the fourth quarter of 2002 to 19.2% for the current quarter.

Research and Development Costs:

GAAP:

Research and development costs (R&D) were \$214 million for the fourth quarter of 2003 as compared with \$195 million for the fourth quarter of 2002, representing an increase of \$19 million, or 10%. R&D as a percentage of sales remained unchanged at 5.7%. The increase in R&D is primarily attributable to the company's purchase of in-process R&D associated with the acquisition of PracticeWorks and investments in growth initiatives.

Operational:

Excluding the charges for in-process R&D noted above, R&D expenses on an operational basis were \$204 million for the fourth quarter of 2003 as compared with \$195 million for the prior year quarter, representing an increase of \$9 million, or 5%. The increase in R&D is primarily attributable to investments in growth initiatives.

Cost Reduction Plans:

As announced in the third quarter of 2003, Kodak has implemented a

series of cost reduction actions resulting in pre-tax charges totaling \$272 million or \$.66 per share in the fourth quarter. The components of restructuring in the fourth quarter include \$108 million for employee severance relating to the elimination of approximately 2,160 positions and \$148 million associated with exit costs and asset write-offs. In addition, the Company recorded accelerated depreciation of \$16 million during the quarter associated with assets to be disposed of in connection with the relocation of certain manufacturing operations.

Approximately \$102 million (pre-tax) of the total \$272 million charge in the quarter is associated with the divestiture of photofinishing labs in Germany. The entire charge is associated with asset impairments and business exit costs.

A summary of the Company's recent cost reduction actions is provided in tabular format below:

Summary of Direct Charges

	Q4 2002 Program		Q1 2003 Program	Q3 2003 Program		Grand Total
	Actual 2002	Actual 2003	Actual 2003	Actual 2003	Remaining 2004	
Direct Charges \$M	109	21	78	385	158	751
Accelerated Depreciation and inventory Writedowns \$M	16	24	19	30	5	94
Total Charges \$M	125	45	97	415	163	845
Headcount Reduction	1,150	675	1,850	3,925	1,875	9,475
2004 Saving \$M	210		85	250		545
Annual Saving \$M	210		85	300		595

Q4 2002 Program- Related to personnel reductions in global manufacturing and logistics, and R&D; the move of one-time use camera assembly to Mexico; and the closure of x-ray and graphics sensitizing operations in Mexico.

Q1 2003 Program-Rationalization of photofinishing operations in the US and Europe.

Q3 2003 Program- Reduction of administrative costs.

The Company anticipates completing the remaining initiatives originally contemplated under the cost reduction program announced in the third quarter of 2003 by the end of the second quarter of 2004. As a result of these initiatives, an additional 1,700 to 1,900 positions will be eliminated throughout the world by the end of the second quarter of 2004. The estimated cost to complete these remaining initiatives will be in the range of \$150 million to \$170 million.

Consistent with the implementation of Kodak's new business model, the company plans to develop and execute a new cost reduction plan throughout the 2004 to 2006 timeframe. The objective of these actions is to achieve a business model appropriate for Kodak's traditional businesses, and to sharpen the Company's competitiveness in digital markets. As a result of these actions, the Company expects cost savings in the range of \$800 million to \$1 billion for full year 2007.

The program is expected to result in total charges of \$1.3 billion to \$1.7 billion over the three-year period, of which \$700 million to \$900 million are related to severance, with the remainder relating to the disposal of building and equipment. Overall, Kodak's worldwide facility square footage will be reduced by approximately one third. Approximately 12,000 to 15,000 positions worldwide are expected to be eliminated through these actions primarily in global manufacturing, selected traditional businesses and corporate administration. Maximum

single year cash usage under the new plan is expected to be approximately \$200 million.

Earnings From Operations:

GAAP:

Earnings from operations (EFO) for the fourth quarter of 2003 were \$20 million as compared with earnings from operations of \$201 million for the fourth quarter of 2002, representing a decrease of \$181 million. This decrease is attributable to the reasons indicated above.

Operational:

Excluding charges for cost reduction actions in the current quarter, charges relating to strategic asset impairments, legal settlements, in process R&D and reversal of environmental reserves, EFO on an operational basis for the fourth quarter of 2003 were \$304 million as compared with \$333 million for the fourth quarter of 2002, representing a decrease of \$29 million, or 9%. The decrease in earnings from operations is attributable to the reasons indicated above.

The fourth quarter operational earnings, relative to the earnings guidance, include the positive impact of changes in estimates totaling \$38 million, or \$.11 per share, relating to employee benefit and incentive compensation accruals reported in prior quarters.

Below EFO:

GAAP:

Interest expense for the fourth quarter of 2003 was \$44 million as compared with \$45 million for the prior year quarter, representing a decrease of \$1 million, or 2%.

The other charges component includes principally investment income, income and losses from equity investments, foreign exchange and gains and losses on the sales of assets and investments. Other charges for the current quarter were \$12 million as compared with other charges of \$27 million for the fourth quarter of 2002. The improvement is primarily attributable to reduced losses from the Company's equity investment in the NexPress joint venture, elimination of losses from the Company's equity investment in the Phogenix joint venture due to its dissolution, reduced losses from the Company's equity investment in SK Display and increased income from the Company's equity investment in Kodak Polychrome Graphics.

Operational:

Excluding pre-tax charges of \$4 million in the current year quarter and \$7 million in the prior year quarter relating to non-strategic venture asset impairments, other charges were \$8 million in the fourth quarter of 2003 as compared with other charges of \$20 million for the fourth quarter of 2002. The improvement is primarily attributable to the reasons indicated above.

Corporate Tax Rate:

GAAP:

The Company's annual effective tax rate from continuing operations for full year 2003 increased from an estimated rate of 19% through the third quarter of 2003 to a final rate of 19.5% in the current quarter. This increase is primarily attributable to increased earnings from operations in certain higher-taxed jurisdictions relative to total consolidated earnings.

The Company's annual effective tax rate from continuing operations for the fourth quarter decreased from 27% for the prior year to 19.5% for the current year. This decrease is primarily attributable to increased earnings from operations in certain lower-taxed jurisdictions outside the U.S. relative to total consolidated earnings and an increase in benefits from the utilization of foreign tax credits.

During the fourth quarter of 2003, the Company recorded a tax benefit on a GAAP basis of \$43 million. The tax benefit on a GAAP basis of \$43 million for the quarter differs from the operational tax charge of \$53 million, which is based on the annual effective tax rate of 19.5%, due to the impact of recording discrete period tax benefits (\$96 million, or \$.33 per share) in connection with the following discrete period items:

-- A \$272 million charge for focused cost reductions;

- A \$10 million charge for in-process research and development;
- An environmental reserve reversal of \$9 million;
- An \$8 million charge for legal settlements;
- A \$4 million charge for non-strategic venture asset write-downs;
- A \$5 million tax benefit relating to the donation of intellectual property; and
- A \$3 million charge for strategic asset write-downs.

Operational:

As indicated above, the Company's annual effective tax rate from continuing operations increased from an estimated rate of 19% through the third quarter of 2003 to a final rate of 19.5% in the current quarter. This increase in the rate resulted in a \$.01 cent per share charge to both the operational and GAAP earnings for the quarter, which all related to the impact of the increase in the rate on year-to-date earnings through September 30, 2003.

Earnings from Continuing Operations:

GAAP:

Earnings from continuing operations for the fourth quarter of 2003 were \$7 million, or \$.03 per diluted share, as compared with earnings from continuing operations for the fourth quarter of 2002 of \$130 million, or \$.45 per diluted share, representing a decrease of \$123 million year over year. This decrease in earnings from continuing operations is attributable to the reasons described above.

Operational:

Earnings from continuing operations on an operational basis for the fourth quarter of 2003 were \$199 million, or \$.70 per diluted share, as compared with earnings from continuing operations on an operational basis for the fourth quarter of 2002 of \$191 million, or \$.65 per diluted share, representing an increase of \$8 million, or 4%. Fourth quarter operational earnings from continuing operations for 2003 exclude the following after-tax items:

- A charge of \$188 million (\$272 million pre-tax), or \$.66 per share, resulting from previously announced cost reduction initiatives. Of the pre-tax charge, \$256 million is recorded in "Restructuring Costs and Other" and \$16 million of accelerated depreciation associated with the relocation of certain manufacturing operations is recorded in "Cost of Goods Sold" (COGS).
- A charge of \$6 million (\$10 million pre-tax) or \$.02 per share relating to the Company's purchase of in-process R&D associated with the acquisition of PracticeWorks. The pre-tax charge is recorded in "Research and development costs" (R&D).
- A charge of \$5 million (\$8 million pre-tax) or \$.02 per share relating to legal settlements. The pre-tax charge is recorded in SG&A.
- Strategic asset and non-strategic venture asset impairments of approximately \$4 million (\$7 million pre-tax), or \$.01 per share. The \$3 million pre-tax charge for strategic asset impairments is recorded in SG&A and the \$4 million pre-tax charge for non-strategic venture asset impairments is recorded in "Other Income and Charges".

These charges were partially offset by:

- A tax benefit totaling \$5 million, or \$.02 per share relating to the Company's donation of intellectual property.
- Reversal of environmental reserves of \$6 million (\$9 million pre-tax), or \$.02 per share, relating to two formerly-owned Kodak sites outside the U.S.

Earnings from Discontinued Operations:

Earnings from discontinued operations for the fourth quarter of 2003 were \$.04 per diluted share, as compared with a loss from discontinued operations for the fourth quarter of 2002 of \$.06 per diluted share.

During the fourth quarter of 2003, the Company recorded a net of tax credit of \$7 million or \$.03 per share, to discontinued operations for the reversal of an environmental reserve, which was primarily attributable to positive developments in the Company's remediation efforts relating to a formerly owned manufacturing site in the U.S. In addition, the Company reversed state income tax reserves of \$3 million, or \$.01 per share, through discontinued operations. The reserve was released due to the favorable outcome of tax audits in connection with a formerly owned business.

Year-over-Year Comparison of Reported and Operational Earnings  
(Amounts in millions of dollars)

	4Q 03 as Reported	Excluded Items	4Q 03 Operational	4Q 02 as Reported	Excluded Items	4Q 02 Operational
Sales	\$3,778		\$3,778	\$3,441		\$3,441
COGS	2,561	(16)a	2,545	2,235	(16)g	2,219
Gross Profit	1,217		1,233	1,206		1,222
SG&A	727	(2)b	725	703	(9) h	694
R&D	214	(10)c	204	195		195
Restructuring costs and other	256	(256)d	-	107	(107)i	-
Earnings From Operations	20		304	201		333
Interest Expense	44		44	45		45
Other Charges	12	(4)e	8	27	(7)j	20
Below EFO (Loss)	(56)		(52)	(72)		(65)
Earnings Before Taxes (Benefit)	(36)		252	129		268
Provision for Taxes	(43)	96f	53	(1)	78k	77
Earnings - Cont. Ops.	7		199	130		191
Earnings (Loss) Disc. Ops.	12		-	(17)		-
Net Earnings	\$19		199	113		191
Diluted EPS - Cont. Ops.	\$0.03		\$0.70	\$0.45		\$0.65
Total Diluted EPS	\$0.07		\$0.39			

Items excluded from Earnings on an operational basis:

- a - Accelerated depreciation in connection with the focused cost reduction actions.
- b - Charge for legal settlements and strategic asset write-downs, partially offset by the reversal of an environmental reserve.
- c - Charge for in-process research and development in connection with the acquisition of PracticeWorks, Inc.
- d - Charge for focused cost reduction actions.
- e - Charge for non-strategic venture asset write-downs.
- f - Exclusion of income tax benefit in connection with the donation of intellectual property and the tax impacts associated with the above-mentioned excluded items.

- g - Accelerated depreciation and inventory write-downs in connection with the focused cost reduction actions.
- h - Charge for strategic venture asset write-downs and a charitable donation.
- i - Charge for focused cost reduction actions.
- j - Charge for non-strategic venture asset write-downs.
- k - Tax impacts associated with the above-mentioned excluded items.

As Percent of Sales:

	4Q 03 as Reported	4Q 03 Operational	4Q 02 as Reported	4Q 02 Operational
Gross Profit	32.2%	32.6%	35.0%	35.5%
SG&A	19.2%	19.2%	20.4%	20.2%
SG&A w/o Advertising	14.7%	14.7%	14.6%	14.4%
R&D	5.7%	5.4%	5.7%	5.7%
EFO	0.5%	8.0%	5.8%	9.7%
Net Earnings	0.5%	5.3%	3.3%	5.6%

Segment Results:

Photography

Revenues:

Net worldwide sales for the Photography segment were \$2.618 billion for the fourth quarter of 2003 as compared with \$2.401 billion for the fourth quarter of 2002, representing an increase of \$217 million, or 9% as reported, an increase of 3% excluding the favorable impact of exchange. The increase in net sales was comprised of:

- Volume: volumes increased fourth quarter sales by approximately 8.0 percentage points. Volume increases for consumer digital cameras and one-time-use cameras were partially offset by volume declines for photofinishing services and other traditional products and services.
- Price/Mix: declines attributable to price/mix reduced fourth quarter sales by approximately 5.0 percentage points driven by consumer digital cameras and traditional consumer products and services.
- Exchange: favorable exchange of approximately 6.0 percentage points partially offset the negative impacts of price/mix.

Photography segment net sales in the U.S. were \$1.144 billion for the current quarter as compared with \$1.101 billion for the fourth quarter of 2002, representing an increase of \$43 million, or 4%. Photography segment net sales outside the U.S. were \$1.474 billion for the fourth quarter of 2003 as compared with \$1.300 billion for the prior year quarter, representing an increase of \$174 million, or 13% as reported, or an increase of 2% excluding the favorable impact of exchange.

Consumer products and services revenues:

Net worldwide sales of consumer digital cameras increased 87% in the fourth quarter of 2003 as compared with the prior year quarter, primarily reflecting strong volume increases and favorable exchange partially offset by negative price/mix. Sales continue to be driven by strong consumer acceptance of the EasyShare digital camera system as reflected in increased market share in a rapidly growing market.

While complete data for fourth quarter market share is not yet available, all indications are that Kodak held the number one digital camera market share position in the U.S. during the months of November and December. Kodak also placed in the top three market share positions in 6 out of 9 key markets outside the U.S. Consumer digital cameras were profitable on a fully allocated basis for the second half of 2003.

Kodak's new Printer Dock products, initially launched in the spring of 2003, experienced strong sales growth during the quarter putting them on track to be a \$100 million business in the first year of sales.

Net worldwide sales of inkjet photo paper increased 11% in the current quarter as compared with a strong fourth quarter of 2002, when the Company introduced a new line of small format inkjet paper products. Although complete data for fourth quarter market share is not yet available, Kodak continued to maintain its shared leader market share position in the United States during October and November.

The double-digit revenue growth and the maintenance of market share are primarily attributable to strong underlying market growth and the continued growth and acceptance of a new line of small format inkjet papers.

The Company's Ofoto business in the U.S. increased its sales 55% in the fourth quarter of 2003 as compared with the prior year quarter. Ofoto's sales represent less than 1% of the Company's consolidated net worldwide sales for the fourth quarter of 2003. Ofoto now has more than 11 million members and continues to be the market leader in the online photo services space.

Net sales from the Company's consumer digital products and services, which include Picture Maker kiosks/media and retail consumer digital services revenue primarily from Picture CD and Retail.com, increased 7% in the fourth quarter of 2003 as compared with the fourth quarter of 2002, driven primarily by an increase in sales of new generation kiosks and consumer digital services.

Net worldwide sales of consumer film products, including 35mm film, Advantix film and one-time-use cameras (OTUC), decreased 11% in the fourth quarter of 2003 as compared with the fourth quarter of 2002, reflecting 15% volume declines, negative 1% price/mix and 5% favorable exchange. Sales of the Company's consumer film products within the U.S. decreased 20%, reflecting 23% volume declines and positive 3% price/mix. Sales of the Company's consumer film products outside the U.S. decreased 2%, reflecting 10% volume declines, negative 1% price/mix, partially offset by 10% favorable exchange.

U.S. consumer film industry sell-through volumes decreased approximately 10% in the fourth quarter of 2003 as compared with the prior year quarter. Year to date 2003, U.S. consumer film industry volumes decreased approximately 8% year over year. A significant decrease in U.S. retailer inventories accounted for the differential between Kodak's sell-in volume during the quarter, and industry sales to consumers.

The Company's current estimate of worldwide consumer film industry volumes for full year 2003 is a decrease of approximately 8%.

The Company's blended U.S. consumer film share remained essentially unchanged on a volume basis relative to the fourth quarter of 2002. For full year 2003, Kodak maintained approximately flat year-over-year U.S. market share as it has done for the past several consecutive years.

Worldwide volumes of consumer color paper decreased mid single digits in the fourth quarter of 2003 as compared with the fourth quarter of 2002, with U.S. volumes declining low double digits and volumes outside the U.S. decreasing slightly. Kodak no longer reports sales trends for color negative paper because paper and other products are typically bundled together as a "systems sell" for customer contracting purposes.

Net worldwide sales for photofinishing services (excluding equipment), including Qualex in the U.S. and Consumer Imaging Services ("CIS") outside the U.S. decreased 14% in the fourth quarter of 2003 as compared with the fourth quarter of 2002, reflecting lower volumes and negative price/mix, partially offset by favorable exchange. In the U.S., photofinishing sales (including overnight and on-site) decreased 16%.

#### Professional products and services revenues:

Net worldwide sales of professional film capture products decreased 19% in the fourth quarter of 2003 as compared with the fourth quarter of 2002, primarily reflecting declines in volume and negative price/mix partially offset by favorable exchange. Net worldwide sales of professional sensitized output increased 4% in the fourth quarter of 2003 as compared with the prior year quarter reflecting decreases in volume offset by favorable exchange and positive price/mix.

During the fourth quarter, worldwide sales increases were recorded for professional digital cameras and Event Imaging Solutions.

#### Entertainment products and services revenues:

Net worldwide sales of origination and print film to the

entertainment industry increased 4%, primarily reflecting volume declines offset by favorable exchange and price/mix. The new Vision 2 origination film continues to gain strong customer acceptance.

#### Gross profit:

Gross profit for the Photography segment was \$795 million for the fourth quarter of 2003 as compared with \$842 million for the prior year quarter, representing a decrease of \$47 million or 6%. The gross profit margin was 30.4% in the current year quarter as compared with 35.1% in the prior year quarter. The 4.7 percentage point decline was primarily attributable to:

- Price/Mix: declines attributable to price/mix reduced gross profit margins by approximately 9.0 percentage points driven by consumer digital cameras, and traditional consumer products and services.
- Manufacturing Cost: manufacturing cost positively impacted gross profit margins by approximately 3.0 percentage points.
- Exchange: favorably impacted gross profit margins by approximately 1.0 percentage point.

#### SG&A:

In the fourth quarter, SG&A expenses for the Photography segment decreased \$8 million, or 1%, from \$540 million in the fourth quarter of 2002 to \$532 million in the current quarter, and decreased as a percentage of sales from 22.5% to 20.3%. Despite unfavorable exchange of \$28 million, SG&A decreased as a result of ongoing cost reduction actions.

#### R&D:

Fourth quarter R&D costs for the Photography segment decreased \$5 million, or 4%, from \$127 million in the fourth quarter of 2002 to \$122 million in the current quarter and decreased as a percentage of sales from 5.3% to 4.7%. The decrease in R&D was primarily attributable to cost savings realized from position eliminations associated with ongoing cost reduction programs.

#### EFO

Earnings from operations for the Photography segment decreased \$33 million, or 19%, from \$174 million in the fourth quarter of 2002 to \$141 million in the fourth quarter of 2003, primarily as a result of the factors described above.

#### Health Imaging

On October 7, 2003, Kodak announced the completion of its acquisition of PracticeWorks, Inc., a leading provider of dental practice management software and digital radiographic imaging systems for \$468 million in cash and assumed net debt of approximately \$18 million. This acquisition is expected to contribute approximately \$200 million in sales to the Health Imaging business during the first full year. During the fourth quarter, PracticeWorks contributed \$48 million in sales to Health Imaging's revenues.

A planned, this transaction on an operating basis will be slightly dilutive to earnings per share through 2004. However, based on ongoing successes in the execution of the integration, it is anticipated to be no longer dilutive to operations as of 2005, ahead of the original execution plan. This acquisition will enable Kodak to offer its customers a full spectrum of dental imaging products and services from traditional film to digital radiography and photography and is expected to move Health Imaging into the leading position in the dental practice management and dental digital radiographic markets.

#### Revenues:

Net worldwide sales for the Health Imaging segment were \$704 million for the fourth quarter of 2003 as compared with \$619 million for the prior year quarter, representing an increase of \$85 million, or 14% as reported, an increase of 8% excluding the favorable impact of exchange. The increase in net sales was comprised of:

- Acquisition: The PracticeWorks acquisition contributed \$48 million or approximately 7.0 percentage points to fourth quarter sales.



- Volume: Increases in volume contributed approximately 5.0 percentage points to fourth quarter sales, driven primarily by volume increases in digital capture equipment, and digital media and services.
- Price/Mix: Decrease in price/mix reduced fourth quarter sales by approximately 4.0 percentage points, primarily driven by digital media and analog medical film.
- Exchange: Favorable exchange impacted sales by approximately 6.0 percentage points.

Net sales in the U.S. were \$306 million for the current quarter as compared with \$297 million for the fourth quarter of 2002, representing an increase of \$9 million, or 3%. Excluding the impact of the PracticeWorks acquisition, U.S. net sales decreased \$16 million or 5% from fourth quarter 2002.

Net sales outside the U.S. were \$398 million for the fourth quarter of 2003 as compared with \$322 million for the prior year quarter, representing an increase of \$76 million, or 24% as reported, or 12% excluding the favorable impact of exchange. Excluding the impact of the PracticeWorks acquisition, net sales outside the U.S. increased \$53 million or 16%, 5% excluding the favorable impact of exchange.

#### Digital products and services revenues:

Net worldwide sales of digital products, which include laser printers (DryView imagers and wet laser printers), digital media (DryView and wet laser media), digital capture equipment (computed radiography capture equipment and digital radiography equipment), services, dental practice management software and Picture Archiving and Communications Systems ("PACS"), increased 26% in the fourth quarter of 2003 as compared with the prior year quarter, reflecting volume increases, and favorable exchange partially offset by negative price/mix. The increase in digital product sales was primarily attributable to the PracticeWorks acquisition and higher volumes of digital capture equipment and digital media and services.

#### Traditional products and services revenues:

Net worldwide sales of traditional products, including analog film, equipment, chemistry and services, decreased 1% in the fourth quarter of 2003 as compared with the fourth quarter of 2002 driven primarily by lower volumes and negative price/mix for traditional products partially offset by favorable exchange.

#### Gross profit:

Gross profit for the Health Imaging segment was \$307 million for the fourth quarter of 2003 as compared with \$253 million in the prior year quarter, representing an increase of \$54 million, or 21%. The gross profit margin was 43.6% in the current quarter as compared with 40.9% in the fourth quarter of 2002. The increase in the gross profit margin of 2.7 percentage points was principally attributable to:

- Acquisition: the PracticeWorks acquisition increased gross profit by approximately 1.0 percentage point.
- Manufacturing Cost: productivity/cost increased gross profit margins by approximately 4.0 percentage points, primarily due to favorable manufacturing and service productivity.
- Price/Mix: Price/mix negatively impacted gross profit margins by approximately 3.0 percentage points due to lower prices for digital media and analog medical film.
- Exchange: favorable exchange added 1.0 percentage points to the gross profit rate.

#### SG&A:

In the fourth quarter, SG&A expenses for the Health Imaging segment increased \$31 million, or 33%, from \$94 million in the fourth quarter of 2002 to \$125 million for the current quarter, and increased as a percentage of sales from 15.2% to 17.8%. The increase in SG&A expenses is primarily attributable to \$22 million associated with the PracticeWorks acquisition, unfavorable effects of foreign exchange and increased investment for growth initiatives.

#### R&D:

GAAP:

Fourth quarter R&D costs increased \$16 million, or 38%, from \$42 million in the fourth quarter of 2002 to \$58 million in the current quarter and increased as a percentage of sales from 6.8% for the fourth quarter of 2002 to 8.2% for the current quarter. R&D expenses increased in the fourth quarter primarily due to \$12 million associated with the PracticeWorks acquisition, \$10 million of which was a one-time write-off of in-process R&D.

Operational

Fourth quarter R&D costs increased \$6 million from \$42 million in the fourth quarter of 2002 to \$48 million in the current quarter and remained the same as a percentage of sales at 6.8% for both quarters. R&D expenses increased in the fourth quarter primarily due to increased spending to drive growth in selected areas of the product portfolio.

EFO:

GAAP

Earnings from operations for the Health Imaging segment increased \$7 million, or 6%, from \$117 million for the prior year quarter to \$124 million for the fourth quarter of 2003 while the operating earnings margin rate decreased 1.3 percentage points to 17.6% from 18.9% for the prior year quarter. The decrease in operating earnings reflects the impact of the PracticeWorks acquisition, including \$10 million write-off of in-process R&D, and increased investment for growth in SG&A and R&D.

Operational

Excluding the impact of the in-process R&D charge relating to the PracticeWorks acquisition, earnings from operations for the Health Imaging segment increased \$17 million, or 15%, from \$117 million for the prior year quarter to \$134 million for the fourth quarter of 2003 while the operating earnings margin rate increased .1 percentage point to 19.0% from 18.9% for the prior year quarter.

Commercial Imaging

Revenues:

Net worldwide sales for the Commercial Imaging segment were \$432 million for the fourth quarter of 2003 as compared with \$396 million for the prior year quarter, representing an increase of \$36 million, or 9% as reported, or an increase of 5% excluding the favorable impact of exchange. The increase in net sales was primarily comprised of:

- Volume: increases in volume contributed approximately 6.0 percentage points to fourth quarter sales driven by the modification of a long-term contract, Imaging Services, and document scanners.
- Price/Mix: Decrease in price/mix reduced fourth quarter sales by approximately 1.0 percentage point.
- Exchange: favorable exchange contributed approximately 4.0 percentage points to fourth quarter sales.

Net sales in the U.S. were \$255 million for the current year quarter as compared with \$226 million for the prior year quarter, representing an increase of \$29 million, or 13%. Net sales outside the U.S. were \$177 million in the fourth quarter of 2003 as compared with \$170 million for the prior year quarter, representing an increase of \$7 million or 4% as reported, or a decrease of 5% excluding the favorable impact of exchange.

Net worldwide sales of graphic arts products to Kodak Polychrome Graphics ("KPG"), an unconsolidated joint venture affiliate in which the Company has a 50% ownership interest, decreased 10% in the current quarter as compared with the fourth quarter of 2002, primarily reflecting volume declines and negative price/mix for graphic arts film. This reduction resulted largely from digital technology transition and the effect of continuing economic weakness in the commercial printing market.

Despite continued weakness in the global economy, KPG's earnings performance continues to improve driven primarily by its leading position in the growth segments of digital proofing and digital

printing plates, coupled with favorable foreign exchange. KPG's operating profit has been positive for 14 consecutive quarters and continued to contribute positively to Kodak's "Other Charges" during the fourth quarter of 2003.

NexPress, the unconsolidated joint venture between Kodak and Heidelberg in which the Company has a 50% ownership interest, continues to experience good customer acceptance on its sales of NexPress 2100 Digital Production Color Presses despite a weak printing market, with average monthly page volumes for these units running higher than planned.

#### Gross profit:

Gross profit for the Commercial Imaging segment was \$120 million for the fourth quarter of 2003 as compared with \$116 million in the prior year quarter, representing an increase of \$4 million, or 3%. The gross profit margin was 27.8% in the current quarter as compared with 29.3% in the prior year quarter. The decrease in the gross profit margin of 1.5 percentage points was primarily attributable to:

- Price/Mix: declines due to price/mix reduced gross profit margins by approximately 1.0 percentage point driven by graphics products, partially offset by the favorable impact resulting from the modification of a long-term contract.
- Manufacturing Cost: manufacturing cost negatively impacted gross profit margins by approximately 1.0 percentage point.
- Exchange: exchange had no impact on gross profit margins.

#### SG&A:

SG&A expenses for the Commercial Imaging segment increased \$8 million, or 16%, from \$51 million in the fourth quarter of 2002 to \$59 million for the current quarter, and increased as a percentage of sales from 12.9% to 13.7%.

#### R&D:

Fourth quarter R&D costs for the Commercial Imaging segment decreased \$5 million, or 29%, from \$17 million in the fourth quarter of 2002 to \$12 million for the current quarter, and decreased as a percentage of sales from 4.3% to 2.8% in the current quarter.

#### EFO:

Earnings from operations for the Commercial Imaging segment remained unchanged at \$49 million for the fourth quarter. For the quarter, EFO includes the favorable impact that relates to the modification of a long-term contract.

#### All Other

#### Revenues:

Net worldwide sales for All Other were \$24 million for the fourth quarter of 2003, as compared with \$25 million for the prior year quarter, representing a decrease of \$1 million, or 4% as reported.

SK Display Corporation, the OLED manufacturing joint venture between Kodak and Sanyo, continues to focus on improving manufacturing yields and process engineering and has created a new generation of chemistry used for coating OLED backplanes.

#### EFO:

The loss from operations for All Other was \$20 million in the current quarter as compared with the loss from operations of \$7 million in the fourth quarter of 2002 primarily driven by increased levels of investment for Kodak's Display business.

#### Balance Sheet:

#### Cash Flow:

Kodak defines free cash flow as net cash provided by continuing operations, (as determined under generally accepted accounting principles in the U.S.- U.S. GAAP), plus proceeds from the sale of assets minus capital expenditures, acquisitions, debt assumed in acquisitions and investments in unconsolidated affiliates. Kodak's definition of operating cash flow equals free cash flow less dividends. Investable cash is operating cash flow excluding

acquisitions and debt assumed in acquisitions.

Operating cash flow during the fourth quarter of 2003 was negative \$105 million, \$452 million lower than the positive \$347 million generated in the year ago quarter. Excluding the impact of acquisitions of \$630 million and \$66 million for 2003 and 2002 respectively, the 2003 investable cash flow of \$525 million was \$112 million higher than the fourth quarter of 2002.

Net cash provided by (used in) continuing operations, investing activities and financing activities, as determined under GAAP in the fourth quarter of 2003 were \$780 million, (\$815) million and \$240 million, respectively. The table below reconciles the net cash provided by continuing operations as determined under U.S. GAAP to Kodak's definition of operating cash flow for the fourth quarter of 2003:

4th Qtr.

Net Cash Provided by Continuing Operations to Investable Cash Flow

(\$ millions)	2003	2002
Net cash provided by continuing operations	780	909
Additions to properties	(153)	(215)
Net proceeds from sales of businesses / assets	5	9
Investments in unconsolidated affiliates	(35)	(27)
Acquisitions, net of cash acquired	(587)	(66)
Debt assumed from Acquisitions	(43)	-
Dividends	(72)	(263)
Operating cash flow (continuing operations)	(105)	347
Acquisitions, net of cash acquired	587	66
Debt assumed from Acquisitions	43	-
Investable Cash Flow	525	413

Full Year

Net Cash Provided by Continuing Operations to Investable Cash Flow

\$ Millions	2003	2002
Net cash provided by continuing operations	1,626	2,218
Additions to properties	(506)	(577)
Net proceeds from sales of businesses / assets	26	27
Investments in unconsolidated affiliates	(89)	(123)
Acquisitions, net of cash acquired	(697)	(72)
Debt assumed from Acquisitions	(52)	-
Dividends	(330)	(525)
Operating cash flow (continuing operations)	(22)	948
Acquisitions, net of cash acquired	697	72
Debt assumed from Acquisitions	52	-
Investable Cash Flow	727	1,020

Dividend:

The Company has a dividend policy whereby it makes semi-annual payments, which, when declared, will be paid on the Company's 10th business day each July and December to shareholders of record on the first business day of the preceding month. On September 24, 2003, the Company's Board of Directors declared a semi-annual cash dividend of \$0.25 per share on the outstanding common stock of the Company. This dividend was paid on December 12, 2003 to shareholders of record at

the close of business on November 3, 2003.

#### Capital Spending:

Capital additions were \$153 million in the fourth quarter of 2003, which is \$62 million lower than the year ago quarter and \$36 million higher quarter sequentially. The majority of the spending supported new products, manufacturing productivity and quality improvements, infrastructure improvements and ongoing environmental and safety initiatives. Full year 2003 capital additions were \$506 million, which is \$71 million lower than full year 2002 capital spend of \$577 million.

#### Receivables:

Total receivables of \$2.389 billion comprised of gross trade (\$2.028 billion) and miscellaneous (\$361 million) receivables at the end of the fourth quarter, 2003, increased \$155 million from fourth quarter of 2002. This increase is driven by higher sales in the fourth quarter and the impact of foreign exchange, somewhat offset by a reduction in past due receivables. Past due receivables decreased by 30% or \$81 million from the year-ago quarter, to \$185 million, and decreased by 16% or \$35 million quarter sequentially.

Accrued customer rebates are classified as miscellaneous payables, however, the majority of these are cleared through customer deductions. The effect of offsetting these accrued customer rebates would reduce the gross trade receivable balance by \$528 million to \$1.500 billion at the end of the fourth quarter of 2003, and would reduce the trade receivable balance by \$371 million to \$1.525 billion at the end of the fourth quarter of 2002.

Kodak defines days sales outstanding (DSO) as the four quarter moving average net trade receivables after rebate reclassification, divided by 12 months of sales, multiplied by 365 days. Due to the fact that a majority of the customer rebates are cleared through customer deductions, the Company's DSO calculation includes the impact of reclassifying rebates as an offset to receivables. By reclassifying the rebates as an offset to receivables, the Company's DSO calculation is more reflective of the true number of days the net trade receivables are outstanding. Based on the Company's DSO definition, DSO for the fourth quarter was 42 days, representing a 5-day decrease from fourth quarter, 2002 and a one-day decrease quarter sequentially. If rebate accrual balances were not offset against receivables, DSO would have decreased only 2 days year over year and remained unchanged quarter sequentially, due to relatively higher accrual balances in 2003 versus 2002. However, the Company does not believe that the DSO calculation utilizing trade receivables before rebate classification is an accurate reflection of the number of days the net trade receivables are outstanding.

#### Inventory:

Kodak's inventories (after LIFO) increased \$13 million year over year and decreased \$127 million quarter sequentially. The year over year increase is primarily due to the impact of exchange partially offset by operational reductions in inventory levels.

Days supply in inventory (DSI) improved by 6 days from the fourth quarter 2002 and by 3 days quarter sequentially. Inventory turns improved by 0.2 turns to 5.9 turns since the end of the third quarter 2003. The DSI calculation is based on inventory before the LIFO reserve.

Including the impact of the LIFO reserve, DSI improved by almost 3 days from the fourth quarter of 2002 and improved by 2 days quarter sequentially; inventory turns improved slightly at 7.8 turns relative to the third quarter of 2003.

DSI is defined as four-quarter average inventory before the LIFO reserve divided by 12 months COGS as reported, multiplied by 365 days. Kodak defines inventory turns as 12 months COGS as reported divided by four quarter average inventory before the LIFO reserve.

#### Debt:

Debt increased by \$358 million to \$3.248 billion and cash increased by \$267 million to \$1.250 billion quarter sequentially. On a debt less cash basis, net debt was \$1.998 billion, a decrease of \$39 million from fourth quarter, 2002 levels of \$2.037 billion. Debt increased as a result of the issuance of a \$500 million, 10 year note and a \$575 million 30 year convertible note during October, 2003. The majority of these funds have been used to reduce commercial paper and pay for the acquisition of PracticeWorks.

Equity amounted to \$3.264 billion, an increase of \$340 million quarter sequentially, primarily due to the positive impact of exchange

and a reduction in the minimum pension liability.

Debt to total capital ratio was 49.9%, increasing .2 percentage point quarter sequentially and increasing 1.5 percentage points year over year.

#### Foreign Exchange:

Year over year, the impact of foreign exchange on operating activities during the fourth quarter was a positive \$0.16 per share whereas foreign exchange activities recorded in "Other Charges" had a negative \$0.03 per share impact. Therefore, the sum of the operational and reportable exchange impacts increased earnings in the quarter by \$0.13 per share.

#### Earnings Outlook:

The Company expects full year 2004 operational earnings of \$2.25 to \$2.55 per share and GAAP earnings of \$.80 to \$1.30 per share. For the first quarter of 2004, the company expects operational earnings per share to approximate those of the year-ago period.

#### Upcoming Meetings:

Kodak will host an investor function for members of the investment community who will be attending the upcoming PMA trade show in Las Vegas. This function will be held on Friday, February 13, 2004 at the Las Vegas Convention Center. Please contact Kodak Investor Relations for additional details.

#### Safe Harbor Statement:

Certain statements in these presentations may be forward looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to expectations for the Company's growth in sales and earnings, cash generation, tax rate, and debt are forward-looking statements.

Actual results may differ from those expressed or implied in forward-looking statements. In addition, any forward-looking statements represent our estimates only as of the date they are made, and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change. The forward-looking statements contained in these presentations are subject to a number of factors and uncertainties, including:

-- The successful

- Implementation of our recently announced digitally-oriented growth strategy;
- Implementation of product strategies (including category expansion, digitization, organic light emitting diode (OLED), and digital products);
- Implementation of intellectual property licensing strategies;
- Development and implementation of e-commerce strategies;
- Completion of information systems upgrades, including SAP, our enterprise system software;
- Completion of various portfolio actions;
- Reduction of inventories;
- Integration of newly acquired businesses;
- Improvement in manufacturing productivity and techniques;
- Improvement in receivables performance;
- Reduction in capital expenditures;
- Improvement in supply chain efficiency;
- Implementation of future focused cost reductions, including personnel reductions; and

- Development of our business in emerging markets like China, India, Brazil, Mexico and Russia.
- -- Inherent unpredictability of currency fluctuations and raw material costs;
- -- Competitive actions, including pricing;
- -- The nature and pace of technology evolution, including the analog-to-digital transition;
- -- Continuing customer consolidation and buying power;
- -- General economic, business, geopolitical and public health conditions; and
- -- Other factors and uncertainties disclosed from time to time in our filings with the Securities and Exchange Commission.

Any forward-looking statements in these presentations should be evaluated in light of these important factors and uncertainties.

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