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): July 20, 2005

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

New Jersey	1-87	16-0417150
(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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On July 20, 2005, Eastman Kodak Company issued a press release and a supplemental financial discussion document describing its financial results for its second fiscal quarter ended June 30, 2005. 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 second quarter 2005 press release and financial discussion document, the Company makes reference to certain non-GAAP financial measures including "Earnings from continuing operations, excluding non-operational items", "Earnings from operations, excluding non-operational items", "Earnings from continuing operations, excluding the impact of the non-operational net charges", "Earnings per share, excluding non-operational items", "Free cash flow", "Operating cash flow" and "Investable cash flow", which have directly comparable GAAP financial measures, 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 2.02 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:

Earnings from continuing operations, excluding non-operational items/Earnings from operations, excluding non-operational items/Earnings from continuing operations, excluding the impact of the non-operational net charges/Earnings per share, excluding non-operational items - The Company's management believes that the presentation of earnings from continuing operations, excluding non-operational items/earnings from operations, excluding non-operational items/earnings from continuing operations, excluding the impact of the non-operational net charges/ earnings per share, excluding non-operational items, are important additional measures 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 certain incentive compensation.

Free cash flow / Operating cash flow / Investable cash flow - The Company believes that the presentation of free cash flow, operating cash flow and investable cash flow 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 free cash flow measure equals net cash provided by continuing operations, as determined under Generally Accepted Accounting Principles in the U.S. (U.S. GAAP) minus capital expenditures. The operating cash flow measure equals free cash flow plus proceeds from the sale of assets, minus 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, and forms the basis of internal management performance expectations and certain incentive compensation. 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. The Company also believes that the presentation of a DSI result that is based on a cost of goods sold amount that excludes certain manufacturing-related costs that are considered to be unusual, or that occur infrequently, is useful information to investors, as it is more reflective of the Company's actual inventory performance.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

Exhibit 99.1	Press release issued July 20, 2005 regarding financial results for the second quarter of 2005	Furnished with this document
Exhibit 99.2	Financial discussion document issued July 20, 2005 regarding financial results for the second quarter of 2005	Furnished with this document

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 hereunto duly authorized.

EASTMAN KODAK COMPANY

By: /s/ Richard G. Brown, Jr.
Name: Richard G. Brown, Jr.
Title: Controller

Date: July 20, 2005

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued July 20, 2005 regarding financial results for the second quarter 2005
99.2	Financial discussion document issued July 20, 2005 regarding financial results for the second quarter 2005

Exhibit 99.1

Kodak Accelerates Digital Transformation Strategy

ROCHESTER, N.Y.--(BUSINESS WIRE)--July 20, 2005--Eastman Kodak Company (NYSE:EK)

-- Reports 2nd-Qtr GAAP Net Loss of 51 Cents Per Share on 6% Revenue Increase, Earnings Per Share Excluding Non-Operational Items Totals 53 Cents; Digital Revenue Increases 43%, Traditional Decreases 15%

-- Reiterates 2005 Cash Flow Forecast, Reinforces Satisfaction with Digital Growth, Plans Aggressive Reductions in Administrative Costs and Traditional Manufacturing Infrastructure

Eastman Kodak Company (NYSE:EK) announced today an acceleration of its digital transformation, consistent with the company's expressed goal of building a business model to achieve long-term success in digital markets.

The company also recommitted to the goals presented to investors in January: digital revenue growth in 2005 of approximately 36%, and digital earnings from operations this year in a range of $275 million to $325 million. Kodak continues to expect net cash provided by operating activities this year of $1.0 billion to $1.2 billion, which corresponds with investable cash flow of $400 million to $600 million.

The key elements of today's announcements are as follows:

-- Second-quarter revenue totaled $3.686 billion, up 6% from the year-ago quarter. The net loss, on the basis of generally accepted accounting principles in the U.S. (GAAP), was 51 cents per share, primarily reflecting charges associated with the previously announced restructuring of Kodak's traditional infrastructure, in-process research and development charges related to acquisitions, and an asset impairment charge relating to an investment in Lucky Film company. Earnings from continuing operations, excluding non-operational items, were 53 cents per share.

-- As part of the effort to accelerate its digital transformation and to respond to a faster-than-expected decline in consumer film sales, Kodak will extend the restructuring activity originally announced in January 2004, in which the company set plans to reduce employment worldwide by as many as 15,000 positions. The company now plans to increase the total employment reduction to a range of 22,500 to 25,000 positions, and to reduce its traditional manufacturing infrastructure to approximately $1 billion, compared with $2.9 billion in January 2004. When largely completed by the middle of 2007, these activities will result in a business model consistent with what is necessary to compete profitably in digital markets.

"Kodak is a company with product portfolios that are proceeding on two very different tracks," said Antonio M. Perez, Chief Executive Officer and President, Eastman Kodak Company. "As sales of our traditional consumer products and services decline faster than anticipated, we are moving more aggressively to reduce cost. At the same time, we continue to make significant progress growing the sales and earnings of our digital portfolio. Second-quarter digital sales, for example, increased 43%, and we made significant progress in improving our digital earnings."

"In 24 months, as a result of the actions announced today, we will bring to an effective end the significant restructuring charges associated with the transformation and essentially complete the transition to our digital business model," Perez said. "In that time, we intend to improve upon the success we are enjoying in digital markets. In June, for example, our digital revenue exceeded our traditional revenue on a monthly basis for the first time ever, paving the way for us to achieve the full-year goal of having digital revenue surpass traditional revenue. Kodak is a different company that's becoming a stronger digital player each day."

Second-Quarter 2005 Detailed Results

The following represents the key details of the second quarter:

-- Sales totaled $3.686 billion, an increase of 6% from $3.464

billion in the second quarter of 2004. Sales growth was favorably affected by foreign exchange in the amount of $54 million, or 2 percentage points.

-- The GAAP net loss was $146 million, or 51 cents per share, compared with GAAP earnings from continuing operations of $119 million, or 40 cents per share, in the year-ago period. The net loss includes net after-tax charges of $306 million, or $1.07 per share, primarily reflecting the non-operational items discussed above.

-- Earnings from continuing operations, excluding the impact of the non-operational net charges and adjusting for the dilutive earnings impact equal to 3 cents per share related to the company's contingent convertible debt, were $160 million, or 53 cents per share. In the year-ago period, restated earnings from continuing operations, excluding non-operational items, were $227 million, or 75 cents per share.

-- Net cash provided by operating activities from continuing operations, as determined in accordance with GAAP, totaled a negative $207 million in the second quarter, compared with $60 million in the year-ago quarter.

-- Gross Profit on a GAAP basis was 29.0%, down from 31.8%.

-- Selling, General and Administrative expenses were 17.6% of sales, down from 17.8%.

-- Debt increased $1.4 billion from the year-end level to $3.721 billion, reflecting acquisitions, and the company held $553 million in cash on its balance sheet at the end of the quarter, down from $1.255 billion at the end of 2004. The company is committed to reducing its debt, and its cash balance should rise this year to approximately $1 billion because of expected strong cash flow in the second half.

The segment results from continuing operations, before interest, taxes, and other income and charges (earnings from operations), are as follows:

-- Digital & Film Imaging segment sales totaled $2.151 billion, down 12%. Earnings from operations for the segment were $193 million on a GAAP and an operational basis, compared with $229 million a year ago. Highlights for the quarter included a 63% increase in sales of KODAK EASYSHARE Printer Docks and related media for home printing; a 25% increase in consumer digital capture sales, which includes KODAK EASYSHARE cameras; and a 24% increase in the sales of KODAK Picture Maker kiosks and related media, plus continued strong sales of motion-picture origination and print film.

-- Graphic Communications Group sales were $794 million, up 144%, largely reflecting the acquisition of Kodak Polychrome Graphics (KPG) plus higher sales at Kodak Versamark and NexPress. On a GAAP basis, the loss from operations in the second quarter was $33 million. Earnings from operations, excluding non-operational items, were $31 million, compared with a loss of $8 million a year ago. The exclusion of $64 million for in-process R&D charges accounts for the difference in the operational and GAAP measures. Kodak completed the acquisition of KPG and Creo Inc. in the second quarter, and the integration of those businesses is proceeding according to plan.

-- Health Group sales were $694 million, up 3%. Earnings from operations for the segment were $113 million on a GAAP and operational basis, compared with $124 million a year ago. Highlights included an increase in operating margins to 16% from 11% in the first quarter of 2005, reflecting significant progress. While the traditional business within Health performed better than expected, revenue growth in the digital products portfolio was less than anticipated.

-- All Other sales were $47 million, up 42% from the year-ago quarter. The loss from operations totaled $43 million on a GAAP and an operational basis, compared with a loss of $38 million a year ago. The All Other category includes the Display & Components operation and other miscellaneous businesses.

Accelerated Transformation

"Our disappointing start in the first half of this year makes it clear that I need to make some changes, and make them now," Perez said. "Sales of our consumer traditional products and services are declining faster than expected. While we are not in a position to control the rate at which traditional markets decline, there is a lot I can do about the cost structure of the traditional portfolio.

"As for SG&A, we will take actions that will put us on target for SG&A costs equal to 14% of sales by the end of 2007," Perez said. "We will fundamentally change how we do our work, resulting in a significantly lower structural cost."

The extension of the January 2004 program reflects a need to address the accelerating decline in consumer film sales worldwide, principally driven by emerging markets. The extended program includes two major additional initiatives, both of which will be largely completed by the middle of 2007:

-- Accelerating the current restructuring of the traditional manufacturing infrastructure. At the conclusion of this restructuring, the company expects that its traditional infrastructure will total approximately $1 billion, a reduction of 65 percent from the January 2004 level of $2.9 billion. This will allow the remaining capacity to be managed for a return equal to, or greater than, 10% of sales, based on the projected future needs of the company. The incremental employment reduction specific to manufacturing will be approximately 7,000 positions.

-- Reducing general and administrative costs, in part by consolidating functions and standardizing business processes. This will result in an incremental employment reduction totaling approximately 2,300 positions.

-- Together, these additional actions will generate incremental annual savings of approximately $800 million. The incremental cash charges associated with these actions will be approximately $470 million.

In January 2004, the company committed to reducing employment by as many as 15,000 positions. (Through June 30, 2005, the company has reduced employment by approximately 13,475 positions under the January 2004 program.) The administrative and manufacturing actions announced today, along with a number of smaller actions, will bring the total worldwide employment reduction since January 2004 to a range of 22,500 to 25,000. The charges associated with the additional moves will increase the total to a range of $2.7 billion to $3 billion, up from $1.3 billion to $1.7 billion announced in January 2004. The annual savings from the new actions will increase the total to a range of $1.6 billion to $1.8 billion, up from $800 million to $1 billion announced in January 2004.

Outlook

"From this point forward, we will measure success based on three priorities - digital revenue growth, digital earnings growth and the generation of cash to fund our business," Perez said. "The announcements made today represent another aggressive step in support of those priorities.

"Yet during this time, it has become increasingly difficult to provide per share earnings forecasts with any reasonable precision as our business, and our entire industry, undergoes a complex and rapid transformation," Perez said. "In light of this and our focus on the key digital metrics, I have decided to stop the practice of providing per share earnings forecasts."

The company remains committed to its practice of providing full and fair disclosure of its results, including regular and expanded progress reports on the three key metrics -- digital revenue growth, digital earnings growth and cash generation. The company intends to report its digital earnings, on a consolidated basis, for the third and fourth quarters of this year, and to add digital earnings on a segment basis commencing with the first quarter of 2006.

"Kodak will be engaged during the next 24 months in a series of restructuring actions that involve extremely complex accounting rules and treatment," said Robert H. Brust, Kodak's Chief Financial Officer. "Given that, we plan to focus our earnings discussion on GAAP and cash. GAAP provides clarity to investors in this complex accounting environment, while cash is an excellent proxy for how we are managing the declining traditional portfolio and driving digital profitability."

As for the company's progress against its key metrics, Kodak continues to demonstrate its prowess for developing market-leading products and its determination to get ahead and remain ahead of the decline in its traditional portfolio.

Kodak ranks No. 1 in just about every digital category in which it competes - high-speed inkjet printers for commercial use, consumer digital cameras in the U.S., medical laser printers, photo kiosks and online photo services, to name a few.

"We will continue to extend our leadership in the digital markets we serve," Perez said. "We have built our Graphic Communications Group into the leading single-supplier of equipment and media just as that industry is poised to transition to digital. Our Health Group has expanded beyond the radiology market to offer customers a portfolio of digital products and services to capture, share and manage medical and dental images and information. Our EasyShare consumer digital product line continues to gain market share and enjoy critical acclaim for quality and ease-of-use. Our digital strategy is on track, and we are determined to make this transformation a success."

Antonio Perez and Robert Brust will host a conference call with investors at 11:00 a.m. eastern time today. To access the call, please use the direct dial-in number: 913-981-4912, access code 8956704. There is no need to pre-register.

For those wishing to participate via an Internet Broadcast, please access our Kodak Investor Relations web page at: http://www.kodak.com/go/invest.

The call will be recorded and available for playback by 2:00 p.m. eastern time today by dialing 719-457-0820, access code 8956704. The playback number will be active until Wednesday, July 27, at 5:00 p.m. eastern time.

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 earnings, revenue growth, cash and cost savings 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 digital growth strategy and business model;

-- Implementation of our cost reduction program, including asset rationalization, reduction in general and administrative costs and personnel reductions;

-- Implementation of our debt management program;

-- Implementation of product strategies (including category expansion, digitization, organic light emitting diode (OLED) displays, 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 our strategies designed to address the decline in our analog businesses; and

-- Development of our business in emerging markets like China, India, Brazil, Mexico and Russia;

Forward-looking statements contained in this press release are subject to the following additional risk factors:

-- Inherent unpredictability of currency fluctuations and raw material costs;

-- Competitive actions, including pricing;

-- Changes in our debt credit rating and our ability to access capital markets;

-- The nature and pace of technology evolution, including the analog-to-digital transition;

-- Continuing customer consolidation and buying power;

-- Current and future proposed changes to tax laws, as well as other factors which could adversely impact our effective tax rate in the future;

-- General economic, business, geopolitical, regulatory and public health conditions;

-- Market growth predictions, 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.

2005

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Eastman Kodak Company Financial Discussion Document
Second Quarter 2005 Results

Within this financial discussion document, the company makes reference to certain non-GAAP financial measures including "Earnings from continuing operations, excluding non-operational items", "Earnings from operations, excluding non-operational items", "Earnings from continuing operations, excluding the impact of the non-operational net charges", "Earnings per share excluding non-operational items", "Operating cash flow", "Free cash flow", and "Investable cash flow", 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 2.02 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 included within the Form 8-K under Item 2.02, "Results of Operations and Financial Condition," as filed with the Securities and Exchange Commission on July 20, 2005.

The following table reconciles Eastman Kodak Company's second quarter 2005 and restated second quarter 2004 earnings from continuing operations, excluding non-operational items, to earnings from continuing operations, on a GAAP basis. Earnings from continuing operations, excluding non-operational items, is a non-GAAP financial measure under Regulation G. In the third quarter, we will stop calculating "Earnings from continuing operations, excluding non-operational items". Consistent with SEC recommended practices, we will report GAAP earnings only. However, we will continue to provide a description of the non-operational items by line item in the P&L.

(in millions, except per share data)	2nd Quarter 2005 $	2005 EPS	2004 $	2004 EPS
Earnings from continuing operations, excluding non-operational items (2004 restated)	$ 160	$ 0.53	$ 227	$0.75
COGS				
- - Charges for accelerated depreciation in connection with the focused cost reduction actions	(75)		(30)	
- - Charges for inventory writedowns in connection with focused cost reduction actions	(11)		(2)	
- - Charge for inventory writedowns in connection with the acquisition of the NexPress-related entities			(2)	
Subtotal	(86)	(0.30)	(34)	(0.11)
R&D				
- - Charges for in-process research and development in connection with the acquisitions of Creo and KPG of $48 million and $16 million, respectively in 2005	(64)			
Subtotal	(64)	(0.22)		
Restructuring				
- - Charges for focused cost reduction actions	(267)		(131)	
- - Charge for the writeoff of fixed assets relating to Kodak's historical ownership in the NexPress joint venture that was				

disposed of in connection with the acquisition of the NexPress-related entities			(3)	
Subtotal	(267)	(0.93)	(134)	(0.44)
Other Income/(Charges)				
- - Gain on the sale of property related to focused cost reduction actions	13			
- - Charge for the impairment of the Lucky Film investment	(19)			
Subtotal	(6)	(0.02)		
Taxes				
- - Charge due to a change in estimate with respect to a tax benefit recorded in connection with a donation of land in a prior period	(6)			
- - Tax impacts of the above-mentioned items	123		60	
Subtotal	117	0.40	60	0.20
Impact of Contingent Convertible Debt on EPS		0.03		
(Loss) earnings from continuing operations on a GAAP basis	$(146)	$(0.51)	$ 119	$0.40

Unless otherwise indicated, all amounts presented are on a U.S. GAAP basis.

Consolidated Revenues:

Net worldwide sales were $3.686 billion for the second quarter of 2005 as compared with $3.464 billion for the second quarter of 2004, representing an increase of $222 million or 6%. The increase in net sales for the period reflected the favorable impact of foreign currency fluctuations of $54 million, or 2%, and other factors, described below, totaling $168 million, or 4%. The increase in net sales was primarily due to:

-- Volume: volume declines reduced second quarter sales by 4.4 percentage points driven primarily by declines in the film capture Strategic Product Group (SPG), the wholesale and retail photofinishing portions of the consumer output SPG, and the Health Group digital output SPG.

-- Price/Mix: price/mix declines reduced second quarter sales by 3.6 percentage points, primarily driven by the film capture SPG, consumer digital capture SPG and Health Group digital capture and digital output SPGs.

-- Exchange: favorable exchange of 1.7 percentage points partially offset the negative impacts of volume and price/mix.

-- Acquisitions: NexPress Solutions, Kodak Polychrome Graphics (KPG), and Creo contributed $440 million or approximately 12.7 percentage points to second quarter sales.

Net sales in the U.S. were $1.442 billion for the second quarter of 2005 as compared with $1.424 billion for the prior year quarter, representing an increase of $18 million, or 1%.

Net sales outside the U.S. were $2.244 billion for the current quarter as compared with $2.040 billion for the second quarter of 2004, representing an increase of $204 million, or 10%. The increase in net sales for the period reflected the favorable impact of foreign currency fluctuations of $54 million, or 3%.

Kodak's digital product sales were $1.843 billion for the current quarter as compared with $1.289 billion for the second quarter of 2004, representing an increase of $554 million, or 43%, primarily driven by KPG, the consumer digital capture SPG, and the home printing SPG. Product sales from new technologies, included in digital product sales, were $10 million for the second quarter of 2005.

Net sales of the company's traditional products were $1.843 billion for the current quarter as compared with $2.175 billion for the second quarter of 2004, representing a decrease of $332 million, or 15%, primarily driven by declines in the film capture SPG, and the wholesale and retail photofinishing portions of the consumer output SPG.

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 $1.149 billion for the second quarter of 2005 as compared with $1.093 billion for the prior year quarter, representing an increase of $56 million, or 5%. The increase in net sales for the period reflected the favorable impact of foreign currency fluctuations of 3%.

Net sales in the Asia Pacific region were $692 million for the current quarter as compared with $636 million for the prior year quarter, representing an increase of $56 million, or 9%. The increase in net sales for the period reflected the favorable impact of foreign currency fluctuations of 3%.

Net sales in the Canada and Latin America region were $403 million in the current quarter as compared with $311 million for the second quarter of 2004, representing an increase of $92 million, or 30%. The increase in net sales for the period reflected the favorable impact of foreign currency fluctuations of 3%.

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 $736 million for the second quarter of 2005 as compared with $728 million for the prior year quarter, representing an increase of $8 million, or 1%. The increase in net sales for the period reflected the favorable impact of foreign currency fluctuations of 2%, partially offset by unfavorable declines totaling 1%.

The emerging market portfolio accounted for approximately 20% of Kodak's worldwide sales and 33% of Kodak's non-U.S. sales in the quarter. Sales growth was recorded for India 6%, Brazil 4%, and Russia 2%. Sales declines were recorded for China 6% and Korea 18%.

Sales decreases in China primarily reflect a change in the underlying adoption patterns of digital products.

Gross Profit:

Gross profit was $1.068 billion for the second quarter of 2005 as compared with $1.101 billion for the second quarter of 2004, representing a decrease of $33 million, or 3%. The gross profit margin was 29.0% in the current quarter as compared with 31.8% in the prior year quarter. Charges relating to accelerated depreciation and inventory writedowns in connection with the company's three-year cost reduction program were $86 million for the second quarter of 2005 as compared with $34 million for the second quarter of 2004. During the second quarter of 2005, the Company's gross profit was favorably impacted by a LIFO liquidation of $29 million versus $30 million in the second quarter of 2004. In addition, gross profit margin decreased approximately 2.8 percentage points primarily attributable to:

-- Price/Mix: reduced gross profit by 2.7 percentage points primarily attributable to the consumer digital capture SPG, entertainment print films, and the Health Group digital capture SPG.

-- Manufacturing Cost: unfavorable manufacturing cost decreased gross profit by 0.8 percentage points as unfavorable manufacturing variances and increased raw material prices were only partially offset by cost reduction initiatives.

-- Exchange: favorably impacted gross margin by 0.7 percentage points.

Selling, General and Administrative Expenses:

SG&A expenses were $648 million for the second quarter of 2005 as compared with $615 million for the prior year quarter, representing an increase of $33 million, or 5%. The increase in SG&A is primarily attributable to:

-- Acquisition related SG&A of $77 million

-- Unfavorable foreign exchange of $8 million

Partially offset by:

-- Cost reduction initiatives

As a percentage of sales, SG&A was 18% for the current quarter, no change from the second quarter of 2004. The 18% reflects a 3 percentage point improvement from the first quarter of 2005.

Research and Development Costs:

R&D expenses were $276 million for the second quarter of 2005 as compared with $213 million for the second quarter of 2004, representing an increase of $63 million, or 30%. The total for the second quarter of 2005 includes charges for purchased in-process R&D of $64 million in connection with the acquisitions of Creo and KPG of $48 million and $16 million, respectively. R&D as a percentage of sales increased from 6% for the second quarter of 2004 to 7% for the current quarter.

Restructuring Costs and Other

Cost Reduction Plans:

Kodak announced in January 2004, the company is executing a three-year cost reduction program throughout the 2004 to 2006 timeframe, consistent with the implementation of Kodak's new business model. The program was expected to result in total charges of $1.3 billion to $1.7 billion over the three-year period, with cost savings in the range of $800 million to $1 billion for full year 2007. Overall, Kodak's worldwide facility square footage is being reduced by approximately one third. Approximately 12,000 to 15,000 positions worldwide are being eliminated through these actions primarily in global manufacturing, selected traditional businesses and corporate administration.

In the second quarter, Kodak implemented cost reduction actions resulting in pre-tax charges totaling $353 million, equating to an after-tax impact of $0.88 per share. The components of restructuring in the second quarter included $163 million for employee severance relating to the elimination of approximately 2,200 positions, $86 million associated with exit costs and asset impairments, pension plan curtailments of $19 million, and reversals of prior reserves of ($1) million. In addition, the company recorded accelerated depreciation and inventory write-offs of $86 million during the quarter. The following changes in manufacturing plant operations and other actions were announced during the quarter:

-- Consolidation and capacity reductions impacting manufacturing actions in Chalon-sur-Saone, France

-- Closure of the manufacturing facility in Sao Jose dos Campos, Brazil

-- Consumer film manufacturing capacity reductions in Rochester, NY

Under the current cost reduction program on a program-to-date basis Kodak has implemented cost reduction actions resulting in pre-tax charges totaling $1.4 billion, which includes the elimination of approximately 13,475 positions worldwide.

As part of the effort to accelerate its digital transformation, Kodak will extend the restructuring program originally announced in January 2004. When largely completed by the middle of 2007, this program will result in a business model consistent with what is necessary to compete profitably in digital markets. The extension of the January 2004 program includes two major additional initiatives, both of which will be largely completed by the middle of 2007:

-- Reducing general and administrative costs, in part by consolidating functions and standardizing business processes. This will result in an incremental employment reduction totaling approximately 2,300 positions.

-- Accelerating the current restructuring of the traditional manufacturing asset base. At the conclusion of this restructuring, the company expects that its traditional asset base will total approximately $1 billion, a reduction of 65 percent from the January 2004 level. The incremental employment reduction specific to manufacturing will be approximately 7,000 positions.

-- Together, these additional actions will generate incremental annual savings of approximately $800 million. The incremental cash charges associated with these actions will be approximately $470 million.

The administrative and manufacturing actions announced today, along with a number of smaller actions, will bring the total worldwide employment reduction to a range of 22,500 to 25,000 by mid-year 2007. The charges associated with the additional moves will increase the total to a range of $2.7 billion to $3 billion, up from $1.3 billion to $1.7 billion announced in January 2004. The annual savings from the new actions will increase the total to a range of $1.6 billion to $1.8 billion, up from $800 million to $1 billion announced in January 2004.

Earnings From Continuing Operations before Interest, Other Income (Charges) Net and Income Taxes (EFO):

EFO for the second quarter of 2005 was negative $123 million as compared with positive $139 million for the second quarter of 2004, representing a decrease of $262 million, or 188%. EFO as a percentage of sales decreased from 4% in the second quarter of 2004 to negative 3% in the current quarter. The decrease in earnings from operations is attributable to the reasons indicated above.

Below EFO:

Interest expense for the second quarter of 2005 was $49 million as compared with $43 million for the prior year quarter, representing an increase of $6 million, or 14%.

Higher interest expense is a result of increased levels of debt associated with acquisitions.

The "Other Income/(Charges)" component includes investment income, income and losses from equity investments, gains and losses on the sales of assets and investments, and foreign exchange gains and losses. Other Charges for the current quarter was $38 million as compared with Other Income of $8 million for the second quarter of 2004.

The increase in other charges for the current year quarter is primarily attributable to:

-- A loss on foreign exchange of $25 million primarily due to the unhedged U.S. dollar denominated note payable relating to the KPG acquisition.

-- A charge of $19 million for the impairment of the Lucky Film investment.

-- Gain on the sale of property related to focused cost reductions of $13 million.

-- A change in KPG equity income, which moved from "Other Income/(Charges)" to the Graphic Communications segment as a result of the Company's redemption of Sun Chemical's 50% interest in the KPG joint venture, which closed April 1st.

Corporate Tax Rate:

The Company's estimated annual effective tax rate from continuing operations decreased from 20% for the prior year second quarter to 15.5% for the second quarter of 2005. This decrease is primarily attributable to interest and other miscellaneous items, including the expected full-year earnings impact of the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which is not taxable.

During the second quarter of 2005, the Company recorded a tax benefit from continuing operations of $64 million on a pre-tax loss of $210 million. The tax benefit of $64 million for the quarter differs from the tax benefit of $33 million that results from applying the estimated annual effective tax rate to the pre-tax loss of $210 million due to (1) the year-to-date impact through March 31, 2005, of the increase in the estimated annual effective tax rate from continuing operations from 13% to 15.5% ($5 million charge, or $.02 per share) and (2) net discrete period tax benefits relating to net discrete period charges which are taxed in jurisdictions that, when aggregated, have tax rates greater than the estimated annual effective tax rate from continuing operations. The net discrete period tax benefits resulted from the following discrete period charges and credits:

-- Tax benefits of $101 million associated with the net focused cost reduction charges of $354 million;

-- Tax benefits of $24 million associated with the charges for in-process research and development of $64 million;

-- Tax charges of $2 million associated with gains on $13 million property sales related to focused cost reductions;

-- Tax charge of $6 million due to a change in estimate with respect to a tax benefit recorded in connection with a land donation in a prior period;

-- No tax impact associated with the Lucky Film investment impairment charge of $19 million as a result of the Company's tax holiday in China;

-- Tax charges of $5 million associated with changes in state tax laws in New York and Ohio;

-- Tax charge of $9 million related to the recording of a valuation allowance against deferred tax assets in Brazil; and

-- Tax charge of $6 million associated with the planned remittance of earnings from subsidiary companies outside of the U.S..

During the second quarter of 2004, the Company recorded a tax benefit from continuing operations of $15 million on $104 million of pre-tax income. The tax benefit of $15 million for the quarter differs from the tax provision of $21 million that results from applying the estimated annual effective tax rate to the pre-tax income of $104 million due to (1) discrete period tax benefits relating to discrete period charges which are taxed in jurisdictions that, when aggregated, have tax rates greater than the estimated annual effective tax rate from continuing operations and (2) the recording of a $9 million tax benefit as a result of the settlement with the Internal Revenue Service in connection with the Company's filing relating to the income tax reporting of a patent infringement litigation settlement. The discrete period tax benefits resulted from the following discrete period charges:

-- Tax benefits of $58 million associated with the net focused cost reduction charges of $162 million; and

-- Tax benefits of $2 million associated with inventory writedowns and fixed asset writeoffs of $5 million relating to Kodak's historical ownership in the NexPress joint venture in connection with the completion of the acquisition of the NexPress-related entities from Heidelberg Druckmaschinen.

Earnings from Continuing Operations:

Earnings from continuing operations for the second quarter of 2005 were negative $146 million, or negative $0.51 per diluted share, as compared with earnings from continuing operations for the second quarter of 2004 of positive $119 million, or $0.40 per diluted share, representing a decrease of $265 million.

Earnings from Discontinued Operations:

Net income from discontinued operations of $17 million in the second quarter of 2004 primarily reflects earnings from the company's Remote Sensing Systems business, which was sold to ITT Industries Inc. in August 2004.

Segment Results:

Digital and Film Imaging Systems

This segment provides consumers, professionals and cinematographers with digital and traditional products and services.

Revenues:

Net worldwide sales for the Digital and Film Imaging Systems segment were $2.151 billion for the second quarter of 2005 as compared with $2.434 billion for the second quarter of 2004, representing a decrease of $283 million, or 12%. The decrease in net sales was composed of:

-- Volume: decreases in volume reduced second quarter sales by 9.3 percentage points driven primarily by declines in the film capture SPG and the wholesale and retail photofinishing portions of the consumer output SPG.

-- Price/Mix: declines attributable to price/mix reduced second quarter sales by 4.1 percentage points driven primarily by the digital capture SPG, the traditional film capture SPG, and the color negative paper SPG.

-- Exchange: favorable exchange of 1.7 percentage point partially offsets the negative impacts of volume and price/mix.

Net sales in the U.S. were $896 million for the current quarter as compared with $984 million for the second quarter of 2004, representing a decrease of $88 million, or 9%.

Net sales outside the U.S. were $1.255 billion for the second quarter of 2005 as compared with $1.450 billion for the prior year quarter, representing a decrease of $195 million, or 13%. The net sales for the period reflected favorable impact from exchange of 2%.

Digital product sales were $723 million for the current quarter as compared with $582 million for the second quarter of 2004, representing an increase of $141 million, or 24%, primarily driven by the consumer digital capture SPG, the kiosks/media portion of the consumer output SPG, and the home printing SPG.

Traditional product sales were $1.428 billion for the current quarter as compared with $1.852 billion for the second quarter of 2004, representing a decrease of $424 million or 23%, primarily driven by declines in the consumer output and film capture SPGs.

Digital Strategic Product Group Revenues:

Net worldwide sales of consumer digital capture products, which include consumer digital cameras, accessories, memory products and royalties, increased 25% in the second quarter of 2005 as compared with the prior year quarter, primarily reflecting strong volume increases and favorable exchange, partially offset by negative price/mix. For digital still cameras, Kodak held the number one unit market share position for the U.S. market and the number three position worldwide year to date through May.

Net worldwide sales of Picture Maker kiosks/media increased 24% in the second quarter of 2005 as compared with the second quarter of 2004, as a result of strong volume increases and favorable exchange. Sales continue to be driven by strong 4x6 format media sales at retail locations. Additional media capacity came on line in early April.

Net worldwide sales from the home printing solutions SPG, which includes inkjet photo paper and printer docks/media, increased 63% in the current quarter as compared with the second quarter of 2004 driven by sales of printer docks and associated thermal media. Kodak's Printer Dock product continues to maintain a leading market share position in the U.S., UK, and Australia through May. During the quarter, inkjet paper sales and volume declined year over year.

Traditional Strategic Product Group Revenues:

Net worldwide sales of the film capture SPG, including consumer roll film (35mm and APS film), one-time-use cameras (OTUC), professional films, reloadable traditional film cameras and batteries/videotape decreased 31% in the second quarter of 2005 as compared with the second quarter of 2004, primarily reflecting volume declines and negative price/mix partially offset by favorable exchange.

U.S. consumer film industry sell-through volumes decreased approximately 25% in the second quarter of 2005 as compared with the prior year quarter. Consumer film industry volumes in the U.S. are expected to decline, as previously communicated, up to 30% for the full year 2005. Kodak's worldwide projection for consumer film industry volume decline was previously forecast at approximately 20% and is now expected to decline in the range of 23% to 27% for full year 2005 primarily as a result of accelerating industry declines in emerging markets.

Net worldwide sales for the retail photofinishing SPG, which includes color negative paper, minilab equipment and services, chemistry, and photofinishing services at retail, decreased 23% in the second quarter of 2005 as compared with the second quarter of 2004, primarily reflecting volume declines and negative price/mix partially offset by favorable exchange.

Net worldwide sales for the wholesale photofinishing SPG, which includes color negative paper, equipment, chemistry, and photofinishing services at Qualex in the U.S. and CIS (Consumer Imaging Services) outside the U.S., decreased 45% in the second quarter of 2005 as compared with the second quarter of 2004, reflecting continuing volume declines partially offset by favorable exchange.

Net worldwide sales for the entertainment film SPGs, including origination and print films for the entertainment industry increased 12%, primarily reflecting volume increases and favorable exchange partially offset by negative price/mix. Entertainment films continued to benefit from a robust market and higher volume driven by simultaneous worldwide releases of major feature films.

Gross Profit:

Gross profit for the Digital and Film Imaging Systems segment was $644 million for the second quarter of 2005 as compared with $749 million for the prior year quarter, representing a decrease of $105 million or 14%. The gross profit margin was 30.0% in the current year quarter as compared with 30.8% in the prior year quarter. The 0.8 percentage point decrease was primarily attributable to:

-- Price/Mix: declines attributable to price/mix reduced gross profit margins by 3.1 percentage points primarily driven by the film capture SPG, the color negative paper SPG, and entertainment print films.

-- Manufacturing Cost: favorable manufacturing cost improved gross profit margins by 1.6 percentage points.

-- Exchange: favorably impacted gross profit margins by 0.7 percentage points.

SG&A:

In the second quarter, SG&A expenses for the Digital and Film Imaging Systems segment decreased $43 million or 10%, from $423 million in the second quarter of 2004 to $380 million in the current quarter, and increased as a percentage of sales from 17% to 18%.

R&D:

Second quarter R&D costs for the Digital and Film Imaging Systems segment decreased $27 million, or 27%, from $99 million in the second quarter of 2004 to $72 million in the current quarter and decreased as a percentage of sales from 4% to 3%. The decrease in R&D year over year was primarily attributable to spending reductions related to traditional products and services.

EFO:

Earnings from operations for the Digital and Film Imaging Systems segment decreased $36 million, or 16%, from $229 million in the second quarter of 2004 to $193 million in the second quarter of 2005, primarily as a result of the factors described above. The operating earnings margin rate was flat at 9% for the current quarter and the prior year quarter.

Health Group

The Health Group segment comprises the same products and services as in first quarter 2005. This segment supplies the healthcare industry with traditional and digital image capture and output products and services.

Revenues:

Net worldwide sales for the Health Group were $694 million for the second quarter of 2005 as compared with $672 million for the prior year quarter, representing an increase of $22 million, or 3%. The increase in net sales was composed of:

-- Volume: Volume growth increased second quarter sales by 4.3 percentage points, primarily driven by growth in the digital capture, healthcare information systems, services and dental systems SPG's offset by decreases in the digital output and film capture & output SPGs.

-- Price/Mix: Decreases in price/mix reduced second quarter sales by 2.6 percentage points, primarily driven by the digital capture, digital output, and the traditional medical film portion of the film capture and output SPG's.

-- Exchange: Favorable exchange impacted sales by 1.6 percentage points.

Net sales in the U.S. were $273 million for the current quarter as compared with $277 million for the second quarter of 2004, representing a decrease of $4 million, or 1%.

Net sales outside the U.S. were $421 million for the second quarter of 2005 as compared with $395 million for the prior year quarter, representing an increase of $26 million, or 7%. The increase in net sales for the period reflected favorable impact from exchange of 2%.

Digital Products and Services Revenues:

Net worldwide sales of digital products, which include digital output (DryView laser imagers/media and wet laser printers/media), digital capture equipment (computed radiography (CR) and digital radiography (DR) systems), services, dental systems (practice management software and digital radiography capture equipment) and healthcare information systems (PACS - Picture Archiving and Communications Systems), were $450 million for the current quarter as compared with $430 million for the second quarter of 2004, representing an increase of $20 million or 5%. Sales reflect volume increases and favorable exchange partially offset by negative price/mix.

Traditional Products and Services Revenues:

Net worldwide sales of traditional products, including analog film, equipment, chemistry and services were $245 million for the current quarter as compared with $242 million for the prior year quarter, representing an increase of $3 million, or 1%. The increase in net sales for the period reflected favorable impact from exchange of 2%. Partially offsetting exchange is the decline in net sales primarily reflecting lower volumes and unfavorable price/mix for the film capture and output SPG.

Gross Profit:

Gross profit for the Health Group was $281 million for the first quarter of 2005 as compared with $293 million in the prior year quarter, representing a decrease of $12 million, or 4%. The gross profit margin was 40.5% in the current quarter as compared with 43.6% in the second quarter of 2004. The decrease in the gross profit margin of 3.1 percentage points was principally attributable to:

-- Manufacturing Cost: manufacturing cost decreased gross profit margins by 0.6 percentage points, primarily reflecting higher silver and raw material costs and the impact of unfavorable manufacturing variances.

-- Price/Mix: Price/mix negatively impacted gross profit margins by 3.1 percentage points primarily driven by the digital capture SPG, digital output SPG and the traditional medical film portion of the film capture and output SPG.

-- Exchange: favorable exchange added 0.6 percentage points to the gross profit rate.

SG&A:

In the second quarter, SG&A expenses for the Health Group increased $3 million, or 3%, from $119 million in the second quarter of 2004 to $122 million for the current quarter, and remained flat at 18%. The increase in SG&A expenses is primarily attributable to the unfavorable impact of foreign exchange of approximately $2 million.

R&D:

Second quarter R&D costs decreased $3 million from $50 million in the second quarter of 2004 to $47 million in the current quarter and remains relatively constant as a percentage of sales at 7%.

EFO:

Earnings from operations for the Health Group decreased $11 million, or 9%, from $124 million for the prior year quarter to $113 million for the second quarter of 2005, while the operating earnings margin rate decreased 2 percentage points to 16% from 18% for the prior year quarter. The decrease in operating earnings primarily reflects the impact of lower gross profit margins.

Graphic Communications

The Graphic Communications segment serves a variety of customers in the in-plant, data center, commercial printing, packaging, newspaper and digital service bureau markets with a range of software and hardware products that provide customers with a range of solutions for prepress, traditional and digital printing, and document scanning and multi-vendor IT services.

On January 12, 2005, the Company announced that it had entered into a Redemption Agreement with Sun Chemical Corporation and Sun Chemical Group B.V. (collectively, "Sun"), pursuant to which the parties have agreed to consummate certain transactions that will result in Kodak owning 100% of the equity interests in Kodak Polychrome Graphics LLC and Kodak Polychrome Graphics Company Ltd (KPG). The Company completed its acquisition of KPG on April 1, 2005.

On January 31, 2005, the Company announced that it had entered into a definitive agreement to acquire all of the outstanding common shares of Creo Inc., a premier supplier of prepress systems used by commercial printers worldwide. The Company completed its acquisition of Creo on June 15, 2005.

Revenues:

Net worldwide sales for the Graphic Communications segment were $794 million for the second quarter of 2005 as compared with $325 million for the prior year quarter, representing an increase of $469 million, or 144%. The increase in net sales was primarily due to the completion of the KPG and Creo acquisitions.

Net sales in the U.S. were $251 million for the current year quarter as compared with $145 million for the prior year quarter, representing an increase of $106 million, or 73%.

Net sales outside the U.S. were $543 million in the second quarter of 2005 as compared with $180 million for the prior year quarter, representing an increase of $363 million or 202%. The increase in net sales for the period reflected the favorable impact of foreign currency fluctuations of $7 million, or 2%.

Digital Products and Services Revenues:

The Graphic Communications segment digital product sales for the current quarter were $632 million versus $256 million for the prior year quarter an increase of 147% primarily related to the acquisitions of KPG and Creo. These digital sales are composed of KPG digital revenues, NexPress Solutions, a producer of digital color and black and white printing solutions, Creo, a supplier of prepress systems, Kodak Versamark, a leader in continuous inkjet technology, document scanners, Encad, a maker of wide format inkjet printers, and service and support.

Net worldwide sales for NexPress color and black and white products increased 91% driven by strong volume increases and favorable exchange partially offset by unfavorable price/mix. The installed base of digital production color presses continues to grow and increases in customer average monthly page volumes are leading to higher consumables revenue. NexPress black & white digital equipment and related consumables and service delivered strong performance in the second quarter.

Kodak Versamark sales increased 15% in the current quarter as compared with the second quarter of 2004, led by increased placements of color printing solutions in the transactional printing market coupled with a growing consumables business. The increase in sales reflects strong volume increases partially offset by unfavorable price/mix.

Traditional Products and Services Revenues:

Segment traditional product sales for the current quarter are $162 million versus $70 million for the second quarter of 2004, an increase of 131% primarily due to the KPG acquisition. These traditional sales are comprised of the sales of Kodak traditional graphics products, KPG's analog plates and other films, and microfilm products.

Gross Profit:

Gross profit for the Graphic Communications segment was $216 million for the second quarter of 2005 as compared with $85 million in the prior year quarter, representing an increase of $131 million, or 154%. The gross profit margin was 27.2% in the current quarter as compared with 26.2% in the prior year quarter. The increase in the gross profit margin of 1.0 percentage points was primarily attributable to:

- Acquisitions: Creo and KPG: increased gross profit margins by approximately 2.4 percentage points

- Price/Mix: negative price/mix decreased gross profit margins by approximately 1.2 percentage points

- Manufacturing Cost: manufacturing costs negatively impacted gross profit margins by approximately 0.8 percentage points.

- Exchange: favorable exchange added 0.6 percentage points to the gross profit rate.

SG&A:

SG&A expenses for the Graphic Communications segment increased $74 million, or 116%, from $64 million in the second quarter of 2004 to $138 million for the current quarter, and decreased as a percentage of sales from 20% to 17%. The decrease in SG&A percentage is primarily attributable to the acquisitions of KPG and Creo, which have lower SG&A as a percent of sales.

R&D:

R&D costs increased $82 million, from $29 million in the second quarter of 2004 to $111 million in the current quarter and increased as a percentage of sales from 9% for the second quarter of 2004 to 14% for the current quarter. The R&D expense increase is primarily due to the $16 million charge for purchased in-process R&D recorded for the acquisition of KPG, the $48 million charge for the purchased in-process R&D recorded for the acquisition of Creo with the remainder due to the operations of the KPG and Creo acquisitions.

EFO:

Losses from operations for the Graphic Communications segment were $33 million in the current quarter versus losses of $8 million for the prior year quarter. The current quarter losses include the $16 million charge for purchased in-process R&D related to the KPG acquisition and the $48 million charge for the purchased in-process R&D related to the Creo acquisition, offset by earnings from the KPG and Creo acquisitions.

All Other

All Other is composed of Kodak's display and components business for image sensors, optics, display materials, and other small, miscellaneous businesses. All Other also includes development initiatives in inkjet technologies. These businesses offer imaging sensors to original equipment manufacturers (OEMs) and other specialty materials including organic light emitting diode (OLED) technology to commercial customers.

Revenues:

Net worldwide sales for All Other were $47 million for the second quarter of 2005, as compared with $33 million for the prior year quarter, representing an increase of $14 million, or 42%.

Net sales in the U.S. were $22 million for the current year quarter as compared with $18 million for the prior year quarter, representing an increase of $4 million, or 22%.

Net sales outside the U.S. were $25 million in the second quarter of 2005 as compared with $15 million for the prior year quarter, representing an increase of $10 million, or 67%.

EFO:

The loss from operations for All Other was $43 million in the current quarter, a decrease of $5 million or 13% as compared with the loss from operations of $38 million in the second quarter of 2004. The loss from operations was primarily driven by digital investments, which include the inkjet and display programs.

Balance Sheet:

Cash Flow:

Kodak's definition of free cash flow equals net cash provided by continuing operations relating to operating activities less additions to properties. Kodak's definition of operating cash flow equals free cash flow plus proceeds from sales of assets plus distributions from unconsolidated affiliates minus investments in unconsolidated affiliates minus acquisitions minus debt assumed through acquisitions minus dividends. Investable cash flow is operating cash flow excluding acquisitions and debt assumed in acquisitions.

During the second quarter, operating cash flow from continuing operations was a negative $1.778 billion, a $1.709 billion change versus the negative $69 million in the year ago quarter driven primarily by the acquisition spend for KPG and Creo, higher inventory balances, higher receivable balances, and an increase in cash payments associated with restructuring.

Investable cash flow was a negative $297 million, $258 million lower than the negative $39 million in the second quarter of 2004.

Kodak remains committed to achieve targeted investable cash flow for the year of $400 million to $600 million.

Net cash (used in) provided by continuing operations relating to operating activities, investing activities and financing activities, as determined under U.S. GAAP in the second quarter of 2005 was ($207) million, ($1,032) million and $772 million, respectively.

The table below reconciles the net cash provided by continuing operations relating to operating activities as determined under U.S. GAAP, to Kodak's definition of Free Cash Flow, to Kodak's definition of operating and investable cash flow for the second quarter of 2005 and 2004 and year to date 2005 and 2004:

1st Quarter

($ millions)	2005	2004
Net cash (used in) provided by continuing operations relating to operating activities:	($223)	($27)
Additions to properties	(99)	(91)
Free Cash Flow (continuing operations)	(322)	(118)
Net proceeds from sales of businesses/assets	1	0
Distributions from/(investments in) unconsolidated affiliates	63	(22)
Acquisitions, net of cash acquired	(47)	(305)
Debt assumed through acquisitions	0	0
Dividends	0	0
Operating Cash Flow (continuing operations)	(305)	(445)
Acquisitions, net of cash acquired	47	305
Debt assumed through acquisitions	0	0
Investable Cash Flow (continuing operations)	($258)	($140)

2nd Quarter

($ millions)	2005	2004
Net cash (used in) provided by continuing operations relating to operating activities:	($207)	$60
Additions to properties	(111)	(91)
Free Cash Flow (continuing operations)	(318)	(31)
Net proceeds from sales of businesses/assets	21	1
Distributions from/(investments in) unconsolidated affiliates	0	(9)
Acquisitions, net of cash acquired	(940)	(30)
Debt assumed through acquisitions	(541)	0
Dividends	0	0
Operating Cash Flow (continuing operations)	(1778)	(69)
Acquisitions, net of cash acquired	940	30
Debt assumed through acquisitions	541	0
Investable Cash Flow (continuing operations)	($297)	($39)

Year to Date

($ millions)	2005	2004
Net cash provided by continuing operations relating to operating activities:	($430)	$33
Additions to properties	(210)	(182)
Free Cash Flow (continuing operations)	(640)	(149)
Net proceeds from sales of businesses/assets	22	1
Distributions from/(investments in) unconsolidated affiliates	63	(31)
Acquisitions, net of cash acquired	(987)	(335)
Debt assumed through acquisitions	(541)	0
Dividends	0	0
Operating Cash Flow (continuing operations)	(2,083)	(514)
Acquisitions, net of cash acquired	987	335
Debt assumed through acquisitions	541	0

Investable Cash Flow (continuing operations)	($555)	($179)

Dividend:

The company makes semi-annual dividend payments, which, when declared by the Board of Directors, will be paid on the company's 10th business day each July and December to shareholders of record as of the close of the first business day of the preceding month. Kodak made no dividend payments during the second quarters of 2005 and 2004. On May 11, 2005, the Board of Directors declared a cash dividend of 25 cents per share on the outstanding common shares payable to shareholders of record as of June 1, 2005. This dividend was paid July 15, 2005.

Capital Spending:

Capital additions were $111 million in the second quarter of 2005, which was $20 million higher than the year ago quarter and $12 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.

Receivables:

Total net receivables of $2.976 billion, which were composed of trade ($2.585 billion) and miscellaneous ($391 million) receivables at the end of the second quarter of 2005, increased $371 million from the second quarter of 2004 and increased $695 million quarter sequentially. The quarter sequential increase is a result of second quarter sales being higher than first quarter sales. The year over year increase is driven by receivables from acquisitions.

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 net trade receivable balance by $361 million to $2.224 billion at the end of the second quarter of 2005, and would reduce the net trade receivable balance by $442 million to $1.812 billion at the end of the second quarter of 2004.

Kodak defines days sales outstanding (DSO) as the four-quarter moving average net trade receivables after customer rebate reclassification, divided by 12 months of trade sales, multiplied by 365 days. Due to the fact that reported sales are net of customer rebates and a majority of these 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 is more reflective of the true number of days the net trade receivables are outstanding.

DSO from continuing operations for the second quarter was 48 days, higher than the prior year quarter by 5 days and higher quarter sequentially by two days. This is primarily due to the newly acquired businesses that tend to have higher DSO.

If rebate accrual balances were not offset against receivables for purposes of calculating the DSO, DSO from continuing operations would have increased year over year by three days to 59 days and one-day quarter sequentially.

Inventory:

Kodak's inventories of $1.523 billion (after LIFO) increased $263 million year over year and increased $193 million quarter sequentially. The year over year increase is primarily due to the acquisitions of NexPress, KPG, and Creo.

Kodak defines days supply of inventory (DSI) from continuing operations as four-quarter average inventory before the LIFO reserve divided by 12 months COGS, multiplied by 365 days. For purposes of Kodak's definition, COGS excludes certain manufacturing-related costs that are considered to be unusual or that occur infrequently.

Inventory before the LIFO reserve was $1.821 billion, $222 million higher than a year ago and $174 million higher than the first quarter of 2005. DSI from continuing operations of 65 days was higher by 3 days from the second quarter 2004 and higher quarter sequentially by one day.

Kodak defines inventory turns as 12 months COGS divided by four-quarter average inventory before the LIFO reserve. Inventory turns from continuing operations were 5.7, which is 0.2 lower than a year ago and flat quarter sequentially.

Including the impact of the LIFO reserve and using COGS as reported on a GAAP basis, DSI from continuing operations of 51 days increased by 4 days from the second quarter of 2004 and 2 days quarter sequentially. Inventory turns from continuing operations were 0.5 lower than a year ago and 0.2 lower quarter sequentially.

Debt:

Debt increased $1.4 billion from the year-end level to $3.721 billion, reflecting acquisitions, and the company held $553 million in cash on its balance sheet at the end of the quarter, down from $1.255 billion at the end of 2004. Quarter sequentially, debt increased by $1.312 billion to $3.721 billion and cash decreased by $478 million to $553 million. Equity was $3.243 billion and the debt to total capital ratio was 53.4%, reflecting an increase of 13.7 percentage points quarter sequentially and an increase of 5.0 percentage points year over year. The increase is driven primarily by the debt associated with the acquisitions of KPG and Creo.

Foreign Exchange:

Year over year, the impact of foreign exchange on operating activities during the second quarter was a positive $0.08 per share and foreign exchange activities recorded in "Other Income/(Charges)" had a ($0.07) per share impact. Therefore, the sum of the operational and reportable exchange impacts increased earnings in the quarter by $0.01 per share.

Silver:

During the second quarter, the impact of high silver prices was partially offset by the effect of favorable foreign exchange.

Net Cash Provided by Continuing Operations:

Guidance:

Kodak expects that full year 2005 investable cash flow will range from $400 to $600 million. The table below provides a reconciliation to the range from investable cash flow to net cash provided by continuing operations on a GAAP basis:

	2005
Estimated range of Investable Cash Flow	$400 to $600 million
Add: estimate of cash flow impacts for:	
Additions to properties	$450
Dividends	$145
Estimated range of net cash provided by continuing operations (GAAP basis)	$995 to $1,195 million

Upcoming Meetings:

Kodak Investor Relations and Graphic Communications will host an event for those members of the investment community who will be attending the upcoming Print '05 trade show. The show runs from September 9th to the 15th at McCormick Place in Chicago. Kodak's annual strategy meeting with investors will be held on Wednesday, September 28, in New York City. Additional details will follow shortly.

Safe Harbor Statement:

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 earnings, revenue growth, cash and cost savings 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 digital growth strategy and business model;
- -- Implementation of our cost reduction program, including asset rationalization, reduction in general and administrative costs and personnel reductions;
- -- Implementation of our debt management program;
- -- Implementation of product strategies (including category expansion, digitization, organic light emitting diode (OLED) displays, 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 our strategies designed to address the decline in our analog businesses; and
- -- Development of our business in emerging markets like China, India, Brazil, Mexico and Russia;

Forward-looking statements contained in this press release are subject to the following additional risk factors:

- -- Inherent unpredictability of currency fluctuations and raw material costs;
- -- Competitive actions, including pricing;
- -- Changes in our debt credit rating and our ability to access capital markets;
- -- The nature and pace of technology evolution, including the analog-to-digital transition;
- -- Continuing customer consolidation and buying power;
- -- Current and future proposed changes to tax laws, as well as other factors which could adversely impact our effective tax rate in the future;
- -- General economic, business, geopolitical, regulatory and public health conditions;
- -- Market growth predictions, 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.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net sales	$ 3,686	$ 3,464	$ 6,518	$ 6,384
Cost of goods sold	2,618	2,363	4,745	4,476
Gross profit	1,068	1,101	1,773	1,908
Selling, general and administrative expenses	648	615	1,232	1,164
Research and development costs	276	213	475	410
Restructuring costs and other	267	134	385	188
(Loss) earnings from continuing operations before interest, other income (charges), net and income taxes	(123)	139	(319)	146
Interest expense	49	43	87	87
Other income (charges), net	(38)	8	(3)	6
Loss from continuing operations before income taxes	(210)	104	(409)	65
Benefit for income taxes	(64)	(15)	(120)	(62)
(Loss) earnings from continuing operations	(146)	119	(289)	127
Earnings from discontinued operations, net of income taxes	-	17	1	30
NET (LOSS) EARNINGS	$ (146)	$ 136	$ (288)	$ 157
Basic and diluted net (loss) earnings per share:				
Continuing operations	$ (.51)	$ .40	$ (1.00)	$ .44
Discontinued operations	.00	.06	.00	.09
Total	$ (.51)	$ .46	$ (1.00)	$ .53
Number of common shares used in basic net (loss) earnings per share	287.1	286.6	287.0	286.6
Effect of dilutive securities:				
Employee stock options	-	0.1	-	0.1
Contingent convertible notes	-	18.5	-	18.5
Number of common shares used in diluted net (loss) earnings per share	287.1	305.2	287.0	305.2

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2005	2004	Change	2005	2004	Change
D&FIS						

Inside the U.S.	$ 896	$ 984	- 9%	$1,597	$1,725	- 7%
Outside the U.S.	1,255	1,450	- 13	2,355	2,687	- 12
Total D&FIS	2,151	2,434	- 12	3,952	4,412	- 10
Health						
Inside the U.S.	273	277	- 1	518	535	- 3
Outside the U.S.	421	395	+ 7	802	768	+ 4
Total Health	694	672	+ 3	1,320	1,303	+ 1
Graphic Communications						
Inside the U.S.	251	145	+ 73	407	257	+ 58
Outside the U.S.	543	180	+ 202	755	351	+ 115
Total Graphic Communications	794	325	+ 144	1,162	608	+ 91
All Other						
Inside the U.S.	22	18	+ 22	35	33	+ 6
Outside the U.S.	25	15	+ 67	49	28	+ 75
Total All Other	47	33	+ 42	84	61	+ 38
Consolidated total	$3,686	$3,464	+ 6%	$6,518	$6,384	+ 2%

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2005	2004	Change	2005	2004	Change
D&FIS	$ 193	$ 229	- 16%	$ 197	$ 254	- 22%
Percent of Sales	9%	9%		5%	6%	
Health	$ 113	$ 124	- 9%	$ 184	$ 219	- 16%
Percent of Sales	16%	18%		14%	17%	
Graphic Communications	$ (33)	$ (8)	- 313%	$ (53)	$ (8)	- 563%
Percent of Sales	(4)%	(2)%		(5)%	(1)%	
All Other	$ (43)	$ (38)	- 13%	$ (85)	$ (73)	- 16%
Percent of Sales	(91)%	(115)%		(101)%	(120)%	
Total of segments	$ 230	$ 307	- 25%	$ 243	$ 392	- 38%
Percent of Sales	6%	9%		4%	6%	
Restructuring costs and other	(353)	(168)		(562)	(246)	
Consolidated total	$ (123)	$ 139	- 188%	$ (319)	$ 146	- 318%

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2005	2004	Change	2005	2004	Change
D&FIS	$ 149	$ 187	- 20%	$ 161	$ 208	- 23%
Percent of Sales	7%	8%		4%	5%	
Health	$ 88	$ 101	- 13%	$ 151	$ 176	- 14%
Percent of Sales	13%	15%		11%	14%	
Graphic Communications	$ (22)	$ (5)	- 340%	$ (23)	$ (6)	- 283%
Percent of Sales	(3)%	(2)%		(2)%	(1)%	

All Other	$ (38)	$ (33)	- 15%	$ (75)	$ (61)	- 23%
Percent of Sales	(81)%	(100)%		(89)%	(100)%	
Total of segments	$ 177	$ 250	- 29%	$ 214	$ 317	- 32%
Percent of Sales	5%	7%		3%	5%	
Lucky film impairment	(19)	-		(19)	-	
Restructuring costs and other	(353)	(168)		(562)	(246)	
Property sales	13	-		13	-	
Interest expense	(49)	(43)		(87)	(87)	
Other corporate items	5	2		10	4	
Tax on Infotonics contribution	(6)	-		(6)	-	
Income tax effects on above items and taxes not allocated to above	86	78		148	139	
Consolidated total	$ (146)	$ 119	- 223%	$ (289)	$ 127	- 328%

Eastman Kodak Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - UNAUDITED

(in millions)

	June 30, 2005	Dec. 31, 2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 553	$ 1,255
Receivables, net	2,976	2,544
Inventories, net	1,523	1,158
Deferred income taxes	582	556
Other current assets	139	105
Assets of discontinued operations	30	30
Total current assets	5,803	5,648
Property, plant and equipment, net	4,462	4,512
Goodwill	2,004	1,446
Other long-term assets	3,315	3,131
TOTAL ASSETS	$ 15,584	$ 14,737
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	$ 3,868	$ 3,896
Short-term borrowings	966	469
Accrued income taxes	709	625
Total current liabilities	5,543	4,990
OTHER LIABILITIES		
Long-term debt, net of current portion	2,755	1,852
Pension and other postretirement liabilities	3,356	3,338
Other long-term liabilities	687	737
Total liabilities	12,341	10,917
SHAREHOLDERS' EQUITY		
Common stock at par	978	978
Additional paid in capital	864	859
Retained earnings	7,548	7,922
Accumulated other comprehensive loss	(326)	(90)
Unearned restricted stock	(7)	(5)
	9,057	9,664
Less: Treasury stock at cost	5,814	5,844
Total shareholders' equity	3,243	3,820
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 15,584	$ 14,737

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

	Six Months Ended June 30	
	2005	2004
Cash flows relating to operating activities:		
Net (loss) earnings	$ (288)	$ 157
Adjustments to reconcile to net cash (used in) provided by operating activities:		
Earnings from discontinued operations	(1)	(29)
Equity in (earnings) losses from unconsolidated affiliates	(12)	4
Depreciation and amortization	541	469
Purchased research and development	66	10
Gain on sales of businesses/assets	(16)	(1)
Restructuring costs, asset impairments and other non-cash charges	103	24
Benefit for deferred taxes	(134)	(120)
Decrease (increase) in receivables	69	(204)
Increase in inventories	(98)	(76)
Decrease in liabilities excluding borrowings	(705)	(246)
Other items, net	45	45
Total adjustments	(142)	(124)
Net cash (used in) provided by continuing operations	(430)	33
Net cash provided by discontinued operations	-	4
Net cash (used in) provided by operating activities	(430)	37
Cash flows relating to investing activities:		
Additions to properties	(210)	(182)
Net proceeds from sales of businesses/assets	22	1
Acquisitions, net of cash acquired	(987)	(335)
Distributions from (investments in) unconsolidated affiliates	63	(31)
Marketable securities - purchases	(55)	(64)
Marketable securities - sales	45	58
Net cash used in investing activities	(1,122)	(553)
Net cash used in discontinued operations	-	(2)
Net cash used in investing activities	(1,122)	(555)
Cash flows relating to financing activities:		
Net increase (decrease) in borrowings with original maturity of 90 days or less	(308)	(40)
Proceeds from other borrowings	1,463	89
Repayment of other borrowings	(296)	(257)
Exercise of employee stock options	12	-
Net cash provided by (used in) financing activities	871	(208)
Effect of exchange rate changes on cash	(21)	(5)
Net decrease in cash and cash equivalents	(702)	(731)
Cash and cash equivalents, beginning of year	1,255	1,250

Cash and cash equivalents, end of quarter	$ 553	$ 519