

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1995

or

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

For the transition period from            to

Commission File Number 1-87

EASTMAN KODAK COMPANY

(Exact name of registrant as specified in its charter)

NEW JERSEY

(State of incorporation)

16-0417150

(IRS Employer  
Identification No.)

343 STATE STREET, ROCHESTER, NEW YORK  
(Address of principal executive offices)

14650  
(Zip Code)

Registrant's telephone number, including area code:

716-724-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X            No

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

Class	Number of Shares Outstanding at March 31, 1995
Common Stock, \$2.50 par value	340,333,003



Eastman Kodak Company and Subsidiary Companies  
CONSOLIDATED STATEMENT OF EARNINGS

	First Quarter	
	1995	1994
	(in millions)	
REVENUES		
Sales	\$3,137	\$2,755
Earnings from equity interests and other revenues	72	24
	-----	-----
TOTAL REVENUES	3,209	2,779
	-----	-----
COSTS		
Cost of goods sold	1,613	1,470
Selling, general and administrative expenses	895	747
Research and development costs	219	204
Interest expense	19	57
Other charges	48	71
	-----	-----
TOTAL COSTS	2,794	2,549
	-----	-----
Earnings from continuing operations before income taxes	415	230
Provision for income taxes from continuing operations	153	85
	-----	-----
Earnings from continuing operations before extraordinary item	262	145
Loss from discontinued operations	-	(51)
	-----	-----
Earnings before extraordinary item	262	94
Extraordinary item	-	(12)
	-----	-----
NET EARNINGS	\$ 262	\$ 82
	=====	=====

	First Quarter	
	1995	1994
Primary earnings per share from continuing operations before extraordinary item	\$ .77	\$ .44
Primary loss per share from discontinued operations	-	(.15)
	-----	-----
Primary earnings per share before extraordinary item	.77	.29
Extraordinary item	-	(.04)
	-----	-----
Primary earnings per share	\$ .77	\$ .25
	=====	=====
Fully diluted earnings per share from continuing operations before extraordinary item	\$ .76	\$ .43
Fully diluted loss per share from discontinued operations	-	(.15)
	-----	-----
Fully diluted earnings per share before extraordinary item	.76	.28
Extraordinary item	-	(.04)
	-----	-----
Fully diluted earnings per share	\$ .76	\$ .24
	=====	=====

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	First Quarter	
	1995	1994
	(in millions)	
Retained earnings at beginning of year	\$4,485	\$4,469
Net earnings	262	82
Cash dividends declared	(136)	(132)
Other changes	(6)	(2)
	-----	-----
RETAINED EARNINGS at end of quarter	\$4,605	\$4,417
	=====	=====

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See Notes to Financial Statements





Eastman Kodak Company and Subsidiary Companies  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31, 1995	Dec. 31, 1994
	(in millions)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 573	\$ 2,020
Marketable securities	60	48
Receivables (net of allowances of \$117 and \$120)	2,855	3,064
Inventories	1,834	1,480
Deferred income tax charges	627	711
Other	353	360
	-----	-----
Total current assets	6,302	7,683
<b>PROPERTIES</b>		
Land, buildings and equipment at cost	12,667	12,299
Less: Accumulated depreciation	7,261	7,007
	-----	-----
Net properties	5,406	5,292
<b>OTHER ASSETS</b>		
Goodwill (net of accumulated amortization of \$243 and \$226)	623	616
Deferred income tax charges	475	505
Long-term receivables and other noncurrent assets	887	872
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$13,693</b>	<b>\$14,968</b>
	=====	=====
<b>LIABILITIES AND SHAREOWNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Payables	\$ 3,212	\$ 3,398
Short-term borrowings	373	371
Taxes-income and other	445	1,701
Dividends payable	136	136
Deferred income tax credits	21	129
	-----	-----
Total current liabilities	\$ 4,187	\$ 5,735
<b>OTHER LIABILITIES</b>		
Long-term borrowings	652	660
Postemployment liabilities	3,710	3,671
Other long-term liabilities	824	790
Deferred income tax credits	102	95
	-----	-----
Total liabilities	9,475	10,951
<b>SHAREOWNERS' EQUITY</b>		
Common stock at par*	967	966
Additional capital paid in or transferred from retained earnings	533	515
Retained earnings	4,605	4,485
Accumulated translation adjustment	68	8
	-----	-----
Total shareowners' equity	6,173	5,974
Less: Treasury stock shares at cost*	1,955	1,957
	-----	-----
Total shareowners' equity	4,218	4,017
	-----	-----
<b>TOTAL LIABILITIES AND SHAREOWNERS' EQUITY</b>	<b>\$13,693</b>	<b>\$14,968</b>
	=====	=====

\*Common stock: \$2.50 par value, 950 million shares authorized, 386.9 million shares issued as of March 31, 1995. Treasury stock shares at cost consists of approximately 47 million shares at each balance sheet date.

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See Notes to Financial Statements



Eastman Kodak Company and Subsidiary Companies  
CONSOLIDATED STATEMENT OF CASH FLOWS

First Quarter  
1995                      1994  
(in millions)

Cash flows from operating activities:

Earnings from continuing operations before extraordinary item	\$ 262	\$ 145
Adjustments to reconcile above earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	219	184
Benefit for deferred taxes	(1)	(11)
Loss on sale and retirement of properties	19	13
Decrease in receivables	301	125
Increase in inventories	(296)	(189)
Decrease in liabilities excluding borrowings	(113)	(299)
Other items, net	(187)	4
	-----	-----
Total adjustments	(58)	(173)
	-----	-----
Net cash provided by (used in) operating activities	204	(28)
	-----	-----

Cash flows from investing activities:

Additions to properties	(238)	(149)
Proceeds from sale of properties	13	6
Marketable securities - purchases	-	(8)
Marketable securities - sales	19	212
Cash flows related to sales of non-imaging health businesses	(1,328)	-
	-----	-----
Net cash (used in) provided by investing activities	(1,534)	61
	-----	-----

Cash flows from financing activities:

Net (decrease) increase in borrowings with original maturity of 90 days or less	(215)	34
Proceeds from other borrowings	217	-
Repayment of other borrowings	(8)	(381)
Dividends to shareowners	(136)	(165)
Exercise of employee stock options	20	5
	-----	-----
Net cash used in financing activities	(122)	(507)
	-----	-----

Effect of exchange rate changes on cash	5	2
	-----	-----
Net decrease in cash and cash equivalents	(1,447)	(472)
Cash and cash equivalents, beginning of year	2,020	1,635
	-----	-----
Cash and cash equivalents, end of quarter	\$ 573	\$ 1,163
	=====	=====

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See Notes to Financial Statements





## NOTES TO FINANCIAL STATEMENTS

## BASIS OF PRESENTATION

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

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## COMMITMENTS AND CONTINGENCIES

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

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## RECLASSIFICATIONS

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

David J. FitzPatrick, Controller  
April 27, 1995



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

SUMMARY

(in millions, except earnings per share)	First Quarter		Change
	1995	1994	
Sales	\$3,137	\$2,755	+14%
Earnings (loss) from operations before extraordinary item:			
Continuing	262	145	
Discontinued	-	(51)	
Net earnings	262	82	
Primary earnings (loss) per share from operations before extraordinary item:			
Continuing	.77	.44	
Discontinued	-	(.15)	
Primary earnings per share	.77	.25	
Fully diluted earnings per share	.76	.24	

Sales for the first quarter of 1995 were \$3,137 million, an increase of 14% over sales for the first quarter of 1994. Excluding the sales of Qualex (a U.S. photofinishing company which had been treated as an equity investment until the remainder of its outstanding shares were acquired in August, 1994), sales from continuing operations increased 9% over a year ago. Sales benefited from volume gains and the favorable effects of foreign currency rate changes, but were adversely affected by lower effective selling prices. Currency changes against the U.S. dollar favorably affected 1995 sales by approximately \$127 million. Earnings from continuing operations before extraordinary item for the first quarter of 1995 were \$262 million (\$.77 per share), a sharp increase over earnings of \$145 million (\$.44 per share) in the first quarter last year. Earnings benefited from increased volumes, manufacturing productivity, the favorable effects of foreign currency rate changes, higher investment and other income, and lower interest expense. These benefits were partially offset by cost escalation, increased selling, general and administrative (SG&A) expenses and lower effective selling prices.

During 1994, the Company divested the following non-imaging health businesses: the pharmaceutical and consumer health businesses of Sterling Winthrop Inc., the household products and do-it-yourself products businesses of L&F Products and the Clinical Diagnostic Division. These businesses have been reported as discontinued operations. As part of the divestitures, the Company announced on April 7, 1995, an agreement to sell its pharmaceutical research and development facility to SmithKline Beecham for \$120 million. The proceeds from this sale did not differ materially from the Company's estimated proceeds for the sale of this facility.

Net earnings for 1994 were reduced by an extraordinary charge of \$12 million after-tax (\$.04 per share) related to the early extinguishment of debt.

Sales by Segment  
(in millions)

	First Quarter		Change
	1995	1994	
Consumer Imaging			
Inside the U.S.	\$ 486	\$ 331	+47%
Outside the U.S.	781	668	+17
	-----	-----	---
Total Consumer Imaging	1,267	999	+27
	-----	-----	---
Commercial Imaging			
Inside the U.S.	925	909	+2
Outside the U.S.	952	847	+12
	-----	-----	---
Total Commercial Imaging	1,877	1,756	+7
	-----	-----	---
Deduct Intersegment Sales	(7)	0	--
	-----	-----	---
Total Worldwide	\$3,137	\$2,755	+14%

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## SEGMENT SALES

In the Consumer Imaging segment, sales for the first quarter of 1995 to customers inside the U.S. increased 47% over sales for the first quarter of 1994. Excluding the sales of Qualex, sales were up 10% over a year ago, due to increased volumes. Sales to customers outside the U.S. recorded a 17% increase for the first quarter of 1995 when compared with the first quarter of 1994. The favorable effects of solid gains in unit volumes and foreign currency rate changes were only slightly offset by lower effective selling prices. Currency changes against the U.S. dollar favorably affected 1995 sales by approximately \$49 million. Worldwide volume gains were led by Ektacolor papers and Kodacolor films.

In the Commercial Imaging segment, 1995 first quarter sales inside the U.S. increased 2% when compared with sales for the first quarter of 1994. Outside the U.S., sales in the first quarter of 1995 increased 12% over sales for the comparable period a year ago as the favorable effects of foreign currency rate changes and higher volumes were only slightly offset by lower effective selling prices. Currency changes against the U.S. dollar favorably affected 1995 sales by approximately \$78 million. Worldwide sales increases were led by printing and professional imaging, and office imaging products.

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COSTS AND EXPENSES

(in millions)	First Quarter		
	1995	1994	Change
Gross profit	\$1,524	\$1,285	+19%
Percent of Sales	48.6%	46.7%	
Selling, general and administrative expenses	\$ 895	\$ 747	+20%
Percent of Sales	28.5%	27.1%	
Research and development costs	\$ 219	\$ 204	+7%
Percent of Sales	7.0%	7.4%	

The improvement in gross profit as a percent of sales from 46.7% in 1994 to 48.6% in 1995 was primarily due to manufacturing productivity and increased volumes. Excluding the SG&A expenses of Qualex, SG&A expenditures were up 14% over the first quarter of 1994. This increase in SG&A expenditures was primarily due to cost escalation, the effect of higher volumes on distribution costs, the unfavorable effects of foreign currency rate changes on locally incurred costs and higher advertising expenditures.

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Earnings from Operations by Industry Segment

(in millions)	First Quarter		
	1995	1994	Change
Consumer Imaging	\$ 152	\$ 103	+48%
Percent of Sales	12.0%	10.3%	
Commercial Imaging	\$ 264	\$ 224	+18%
Percent of Sales	14.1%	12.8%	
	-----	-----	-----
Total	\$ 416	\$ 327	+27%
	=====	=====	=====





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SEGMENT EARNINGS

Operating earnings for the Consumer Imaging segment for the first quarter of 1995 increased 48% over the first quarter of last year as the favorable effects from higher volumes, manufacturing productivity and foreign currency rate changes were only partially offset by increased SG&A expenses, cost escalation and lower effective selling prices.

Commercial Imaging segment operating earnings for the 1995 first quarter increased 18% when compared with the first quarter of a year ago, as the benefits from increased unit volumes and manufacturing productivity were only partially offset by cost escalation, lower effective selling prices and increased SG&A expenses.

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OTHER REVENUES AND COSTS

Earnings from equity interests and other revenues for the first quarter of 1995 were higher than the 1994 first quarter primarily due to increased investment income earned on higher average cash balances and increased earnings from equity interests. Interest expense for the 1995 first quarter decreased when compared with the 1994 first quarter due to lower average borrowings. The decrease in other charges in 1995 when compared with 1994 is primarily due to lower net losses in 1995 from foreign exchange transactions and the translation of net monetary items in highly inflationary economies.

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CASH DIVIDENDS

Cash dividends of 40 cents per share were declared on the Company's common stock during the first quarters of 1995 and 1994. Total cash dividends declared in the first quarters of 1995 and 1994 were \$136 million and \$132 million, respectively.

FINANCIAL POSITION

Cash and marketable securities were \$633 million at the end of the first quarter of 1995, compared with \$2,068 million at year-end 1994. The decrease is primarily due to tax payments of approximately \$1.3 billion related to the divestiture of the non-imaging health businesses. Working capital at the end of the quarter increased to \$2,115 million compared with \$1,948 million at year-end 1994. Projected operating cash flows are expected to be adequate to support normal business operations, planned capital expenditures and dividend payments in 1995.

CAPITAL ADDITIONS

Capital additions for the first quarter of 1995 were \$238 million compared with \$149 million for the first quarter of 1994. The provision for depreciation for the first quarter of 1995 was \$202 million, compared with \$176 million for the first quarter of last year.

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## Part II. OTHER INFORMATION

## Item 1. Legal Proceedings

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

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

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

(a) Exhibits required as part of this report are listed in the index appearing on page 11.

(b) Reports on Form 8-K  
Eastman Kodak Company filed the following Current Report on Form 8-K during the first quarter of 1995:

1. Current Report on Form 8-K dated December 31, 1994 (filed January 9, 1995). The 8-K reported Items 2 and 7 and included under Item 7 (b) financial data, consolidated financial statements, financial statement schedules, and additional data to provide historical financial information reclassifying the results of the non-imaging health businesses which the Company divested in 1994.



SIGNATURES

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

EASTMAN KODAK COMPANY  
(Registrant)

David J. FitzPatrick, Controller

Date April 27, 1995



## Eastman Kodak Company and Subsidiary Companies

## Index to Exhibits

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





## Eastman Kodak Company and Subsidiary Companies

Exhibit (11)

## Computation of Earnings Per Common Share

	First Quarter	
	1995	1994
	(in millions, except per share amounts)	
PRIMARY:		
Earnings from continuing operations before income taxes	\$ 415	\$ 230
Provision for income taxes from continuing operations	153	85
	-----	-----
Earnings from continuing operations before extraordinary item	262	145
Loss from discontinued operations	-	(51)
	-----	-----
Earnings before extraordinary item	262	94
Extraordinary item	-	(12)
	-----	-----
Net Earnings	\$ 262	\$ 82
	=====	=====
Average number of common shares outstanding	340.0	330.7
	-----	-----
Primary earnings per share from continuing operations before extraordinary item	\$ .77	\$ .44
Primary loss per share from discontinued operations	-	(.15)
	-----	-----
Primary earnings per share before extraordinary item	.77	.29
Extraordinary item	-	(.04)
	-----	-----
Primary earnings per share	\$ .77	\$ .25
	=====	=====
	First Quarter	
	1995	1994
	(in millions, except per share amounts)	
FULLY DILUTED:		
Earnings from continuing operations before extraordinary item	\$ 262	\$ 145
Add after-tax interest expense applicable to:		
6 3/8% convertible debentures (1)	-	-
Zero coupon convertible debentures (1)	-	-
	-----	-----
Adjusted earnings from continuing operations before extraordinary item	262	145
Loss from discontinued operations	-	(51)
	-----	-----
Adjusted earnings before extraordinary item	262	94
Extraordinary item	-	(12)
	-----	-----
Adjusted net earnings	\$ 262	\$ 82
	=====	=====

(1) 6 3/8% convertible debentures and zero coupon convertible debentures were anti-dilutive in first quarter 1994 and repaid in 1994.



## Eastman Kodak Company and Subsidiary Companies

Exhibit (11)  
(Continued)

## Computation of Earnings Per Common Share

	First Quarter	
	1995	1994
	(in millions, except per share amounts)	
Average number of common shares outstanding	340.0	330.7
Add-incremental shares under option	6.0	3.4
Add-incremental shares applicable to:		
6 3/8% convertible debentures (1)	-	-
Zero coupon convertible debentures (1)	-	-
	-----	-----
Adjusted average number of shares outstanding	346.0	334.1
	-----	-----
Fully diluted earnings per share from continuing operations before extraordinary item	\$ .76	\$ .43
Fully diluted loss per share from discontinued operations	-	(.15)
	-----	-----
Fully diluted earnings per share before extraordinary item	.76	.28
Extraordinary item	-	(.04)
	-----	-----
Fully diluted earnings per share	\$ .76	\$ .24
	=====	=====

(1) 6 3/8% convertible debentures and zero coupon convertible debentures were anti-dilutive in first quarter 1994 and repaid in 1994.

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

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

3-MOS			
	DEC-31-1995		
	JAN-01-1995		
	MAR-31-1995		
	1.0		573
		60	
		2,855	
		117	
		1,834	
	6,302		12,667
		7,261	
	4,187	13,693	
			652
			967
	0		
		0	
		3,251	
13,693			3,137
	3,209		
			1,613
		1,613	
	1,162		
		0	
	19		
		415	
		153	
262			
		0	
		0	
			0
		262	
		0.77	
		0.76	