

---

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

---

**FORM 10-Q**

---

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

For the quarterly period ended June 30, 2018

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: **585-724-4000**

---

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes  No

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of August 1, 2018, the registrant had 42,671,808 shares of common stock, \$0.01 par value per share, outstanding.

EASTMAN KODAK COMPANY  
Form 10-Q

June 30, 2018

Table of Contents

	Page
<b>Part I.—Financial Information</b>	
Item 1. <a href="#">Financial Statements</a>	3
<a href="#">Consolidated Statement of Operations (Unaudited)</a>	3
<a href="#">Consolidated Statement of Comprehensive (Loss) Income (Unaudited)</a>	4
<a href="#">Consolidated Statement of Financial Position (Unaudited)</a>	5
<a href="#">Consolidated Statement of Cash Flows (Unaudited)</a>	6
<a href="#">Notes to Financial Statements (Unaudited)</a>	7
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	29
<a href="#">Liquidity and Capital Resources</a>	40
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	42
Item 4. <a href="#">Controls and Procedures</a>	43
<b>Part II.—Other Information</b>	
Item 1. <a href="#">Legal Proceedings</a>	44
Item 1A. <a href="#">Risk Factors</a>	44
Item 2. <a href="#">Unregistered Sales of Securities and Use of Proceeds</a>	56
Item 5. <a href="#">Other Information</a>	57
Item 6. <a href="#">Exhibits</a>	57
<a href="#">Index to Exhibits</a>	58
<a href="#">Signatures</a>	59

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

**EASTMAN KODAK COMPANY**  
**CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**

(in millions, except per share data)

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Revenues</b>				
Sales	\$ 300	\$ 307	\$ 585	\$ 590
Services	72	74	144	148
Total revenues	372	381	729	738
<b>Cost of revenues</b>				
Sales	262	257	514	498
Services	50	54	101	108
Total cost of revenues	312	311	615	606
Gross profit	60	70	114	132
Selling, general and administrative expenses	63	66	126	131
Research and development costs	14	18	29	38
Restructuring costs and other	2	11	4	18
Other operating (income) expense, net	(2)	2	(2)	12
Loss from continuing operations before interest expense, other charges (income), net and income taxes	(17)	(27)	(43)	(67)
Interest expense	9	8	17	16
Pension income excluding service cost component	(32)	(37)	(64)	(75)
Other charges (income), net	1	(9)	17	(29)
Earnings (loss) from continuing operations before income taxes	5	11	(13)	21
Provision for income taxes	1	4	8	7
Earnings (loss) from continuing operations	4	7	(21)	14
Loss from discontinued operations, net of income taxes	—	(3)	—	(3)
Net earnings (loss)	\$ 4	\$ 4	\$ (21)	\$ 11
<b>Basic net (loss) earnings per share attributable to     Eastman Kodak Company common shareholders:</b>				
Continuing operations	\$ (0.02)	\$ 0.05	\$ (0.73)	\$ 0.09
Discontinued operations	—	(0.07)	—	(0.07)
<b>Basic net (loss) earnings per share attributable to     Eastman Kodak Company common shareholders</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.73)</b>	<b>\$ 0.02</b>
<b>Diluted net (loss) earnings per share attributable to     Eastman Kodak Company common shareholders:</b>				
Continuing operations	\$ (0.02)	\$ 0.05	\$ (0.73)	\$ 0.09
Discontinued operations	—	(0.07)	—	(0.07)
<b>Diluted net (loss) earnings per share attributable to     Eastman Kodak Company common shareholders</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.73)</b>	<b>\$ 0.02</b>
<b>Number of common shares used in basic and diluted net     (loss) earnings per share</b>				
Basic	42.7	42.5	42.6	42.5
Diluted	42.7	42.7	42.6	42.7

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

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

(in millions)

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
NET INCOME (LOSS)	\$ 4	\$ 4	\$ (21)	\$ 11
Other comprehensive (loss) income, net of tax:				
Currency translation adjustments	(20)	—	(7)	14
Pension and other postretirement benefit plan obligation activity, net of tax	—	(3)	—	(6)
Other comprehensive (loss) income, net of tax	(20)	(3)	(7)	8
COMPREHENSIVE (LOSS) INCOME, NET OF TAX	\$ (16)	\$ 1	\$ (28)	\$ 19

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

**EASTMAN KODAK COMPANY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)**

(in millions)	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 275	\$ 344
Trade receivables, net of allowances of \$9 in each period	242	282
Inventories, net	301	276
Other current assets	56	56
Total current assets	874	958
Property, plant and equipment, net of accumulated depreciation of \$418 and \$394, respectively	290	314
Goodwill	32	32
Intangible assets, net	79	86
Restricted cash	11	17
Deferred income taxes	175	188
Other long-term assets	112	112
<b>TOTAL ASSETS</b>	<b>\$ 1,573</b>	<b>\$ 1,707</b>
<b>LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND EQUITY</b>		
Accounts payable, trade	\$ 181	\$ 198
Short-term borrowings and current portion of long-term debt	3	4
Other current liabilities	208	217
Total current liabilities	392	419
Long-term debt, net of current portion	398	399
Pension and other postretirement liabilities	405	466
Other long-term liabilities	198	202
Total Liabilities	1,393	1,486
Commitments and Contingencies (Note 7)		
Redeemable, convertible Series A preferred stock, no par value, \$100 per share liquidation preference	168	164
<b>Equity (Deficit)</b>		
Common stock, \$0.01 par value	—	—
Additional paid in capital	624	631
Treasury stock, at cost	(9)	(9)
Accumulated deficit	(205)	(174)
Accumulated other comprehensive loss	(398)	(391)
Total shareholders' equity	12	57
<b>TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND EQUITY</b>	<b>\$ 1,573</b>	<b>\$ 1,707</b>

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

**EASTMAN KODAK COMPANY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

(in millions)	Six Months Ending June 30,	
	2018	2017
Cash flows from operating activities:		
Net (loss) earnings	\$ (21)	\$ 11
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	39	41
Pension income	(54)	(59)
Change in fair value of embedded conversion features derivative liability	7	(36)
Prosper asset remeasurement	—	12
Non-cash restructuring costs and asset impairments	—	10
Net gain on sales of assets/businesses	(2)	(2)
Stock based compensation	3	5
Provision for deferred income taxes	5	1
Decrease in trade receivables	31	31
Increase in inventories	(34)	(40)
Decrease in trade payables	(11)	(29)
Decrease in liabilities excluding borrowings and trade payables	(22)	(21)
Other items, net	10	2
Total adjustments	(28)	(85)
Net cash used in operating activities	(49)	(74)
Cash flows from investing activities:		
Additions to properties	(17)	(17)
Proceeds from sales of assets/businesses, net	1	2
Proceeds from sales of marketable securities	—	1
Net cash used in investing activities	(16)	(14)
Cash flows from financing activities:		
Repayment of capital leases	(2)	(2)
Preferred stock dividend payments	(6)	(5)
Net cash used in financing activities	(8)	(7)
Effect of exchange rate changes on cash	(2)	6
Effect of exchange rate changes on restricted cash	(1)	—
Net decrease in cash, cash equivalents and restricted cash	(76)	(89)
Cash, cash equivalents and restricted cash, beginning of period	369	478
Cash, cash equivalents and restricted cash, end of period	\$ 293	\$ 389

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

**EASTMAN KODAK COMPANY**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

**NOTE 1: BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS**

**BASIS OF PRESENTATION**

The consolidated interim financial statements are unaudited, and certain information and footnote disclosures related thereto normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited consolidated interim financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the results of operations, financial position and cash flows of Eastman Kodak Company ("EKC" or the "Company") and all companies directly or indirectly controlled, either through majority ownership or otherwise (collectively, "Kodak"). The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. These consolidated interim statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

**GOING CONCERN**

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

The Company has \$395 million of outstanding indebtedness under the Senior Secured First Lien Term Credit Agreement (the "First Lien Term Credit Agreement"). The loans made under the First Lien Term Credit Agreement become due on the earlier to occur of (i) the maturity date of September 3, 2019 or (ii) the acceleration of such loans following the occurrence of an event of default (as defined in the First Lien Term Credit Agreement). The Company also has issued approximately \$79 million and \$96 million of letters of credit under the Amended and Restated Credit Agreement (the "Amended Credit Agreement") as of June 30, 2018 and December 31, 2017, respectively. Should the Company not repay, refinance or extend the maturity of the loans under the existing First Lien Term Credit Agreement prior to June 5, 2019, the termination date will occur under the Amended Credit Agreement on such date unless the Amended Credit Agreement has been amended in the interim. Upon the occurrence of the termination date under the Amended Credit Agreement, the obligations thereunder will become due and the Company will need to provide alternate collateral in place of the letters of credit issued under the Amended Credit Agreement.

As of June 30, 2018 and December 31, 2017, Kodak had approximately \$275 million and \$344 million, respectively, of cash and cash equivalents. \$133 million and \$172 million was held in the U.S. as of June 30, 2018 and December 31, 2017, respectively, and \$77 million and \$108 million was held in China as of June 30, 2018 and December 31, 2017, respectively. Outstanding inter-company loans to the U.S. as of June 30, 2018 and December 31, 2017 were \$394 million and \$358 million, respectively, which includes short-term intercompany loans from Kodak's international finance center of \$95 million and \$59 million as of June 30, 2018 and December 31, 2017, respectively. Kodak had a net decrease in cash, cash equivalents, and restricted cash of \$109 million, \$122 million, and \$158 million for the years ended December 31, 2017, 2016, and 2015, respectively, and a decrease in cash, cash equivalents, and restricted cash of \$76 million for the six months ended June 30, 2018.

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

As of the date of issuance of these financial statements, Kodak has debt coming due within thirteen months and does not have committed financing or available liquidity to meet such debt obligations if they were to become due in accordance with their current terms. Kodak has entered into a non-binding letter of intent with a counterparty which holds a significant principal amount of the loans under the First Lien Term Credit Agreement which would provide for a complete refinancing of the loans under the First Lien Term Credit Agreement with a maturity date of 18 months from closing. In addition, Kodak has retained an investment banker in connection with, and is actively pursuing, a sale of its Flexographic Packaging segment. All net proceeds from any sale of its Flexographic Packaging segment will first be used to pay down outstanding debt. However, the sale of the Flexographic Packaging segment and refinancing of the loans under the First Lien Term Credit Agreement are not solely within Kodak's control. Additionally, Kodak is facing liquidity challenges due to negative cash flow. Based on forecasted cash flows, there are uncertainties regarding Kodak's ability to meet commitments in the U.S. as they come due. Kodak's plans to improve cash flow include reducing interest expense by decreasing the debt balance using proceeds from asset sales; further restructuring Kodak's cost structure; and paring investment in new technology by eliminating, slowing, and partnering with investors in product development programs. Kodak also is exploring options regarding additional liquidity from other sources. Kodak makes no assurances regarding the likelihood, certainty or timing of consummating a sale of the Flexographic Packaging segment or refinancing of the Company's debt or regarding the sufficiency of any such actions to meet Kodak's debt obligations, including compliance with debt covenants, or other commitments in the U.S. as they come due.

These conditions raise substantial doubt about Kodak's ability to continue as a going concern.

For more information regarding the First Lien Term Credit Agreement, the Amended Credit Agreement and debt covenants see Note 6, "Debt and Capital Leases".

#### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In March 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-07, Compensation—Retirements Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. ASU 2017-07 requires entities to report the service cost component in the same line item(s) as other compensation costs arising from services rendered during the period and to report all other components of net benefit costs outside a subtotal of income from operations. In addition, the ASU allows only the service cost component to be eligible for capitalization when applicable. Kodak adopted ASU 2017-07 effective January 1, 2018, retrospectively for the presentation of the service cost and other cost components and prospectively for the application of the capitalization eligibility. The components of net benefit cost are shown in Note 14, "Retirement Plans and Other Postretirement Benefits". The guidance impacted presentation in Kodak's consolidated financial statements and the capitalization of costs to inventory. The presentation of the service cost component was consistent with the requirements of the new standard. The other components (which were presented within Cost of revenues, Selling and general administrative expenses and Research and development costs) are being presented separately on the face of the Consolidated Statement of Operations. The segment measure of profit and loss previously included only the service cost and amortization of prior service credits components of net periodic pension and postretirement benefit costs (refer to Note 20, "Segment Information"). Effective January 1, 2018, the segment measure of profit and loss only includes the service cost component of net periodic pension and postretirement benefit costs and prior periods have been reclassified to conform to this presentation.

In February 2017, the FASB issued ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. ASU 2017-05 defines in-substance nonfinancial assets, provides guidance with respect to accounting for partial sales of nonfinancial assets and conforms the derecognition guidance on nonfinancial assets with the model for transactions in the new revenue standard (Topic 606 as described below). Kodak adopted ASU 2017-05 effective January 1, 2018 using the modified retrospective adoption approach. The application of this standard did not have a material impact on Kodak's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Under the ASU all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. Kodak adopted ASU 2016-01 effective January 1, 2018. The adoption of this guidance did not have a material impact on Kodak's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition" and most industry-specific guidance. The core principle of ASU 2014-09 is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Kodak adopted the provisions of the new standard effective January 1, 2018 using the modified retrospective method which allows companies to record a one-time adjustment to opening retained earnings for the cumulative effect of the standard on open contracts at the time of adoption. Kodak derives revenue from various brand licensing arrangements, which may include upfront payments and/or sales-based royalties subject to minimum annual guaranteed amounts. Kodak recorded a cumulative effect adjustment of approximately \$10 million as a decrease to the opening balance of retained earnings related to these arrangements. With the exception of brand license revenue, Kodak did not identify any changes in the timing of revenue recognition that resulted in a material transition adjustment.

The cumulative effect of the changes made to the Consolidated Statement of Financial Position for January 1, 2018 for the adoption of ASU 2014-09 were as follows. The net reduction in opening retained earnings primarily reflected the impact related to brand licensing revenues.



(in millions)	Balance at December 31, 2017	Adjustments Due to ASU 2014-09	Balance at January 1, 2018
<b>Liabilities</b>			
Other current liabilities	\$ 217	\$ 2	\$ 219
Other long-term liabilities	202	8	210
<b>Deficit</b>			
Accumulated Deficit	(174)	(10)	(184)

The impact of the adoption on the Consolidated Statement of Operations and Consolidated Statement of Financial Position were as follows:

(in millions)	Three Months Ended June 30, 2018		
	As Reported	Amounts without Adoption of ASU 2014-09	Effect of Change Higher (Lower)
<b>Revenues</b>			
Sales	\$ 300	\$ 299	\$ 1
Services	72	72	—
Total revenues	372	371	1
Net income	\$ 4	\$ 3	\$ 1

(in millions)	Six Months Ended June 30, 2018		
	As Reported	Amounts without Adoption of ASU 2014-09	Effect of Change Higher (Lower)
<b>Revenues</b>			
Sales	\$ 585	\$ 583	\$ 2
Services	144	144	—
Total revenues	729	727	2
Net loss	\$ (21)	\$ (23)	\$ 2

(in millions)	June 30, 2018		
	As Reported	Balances without Adoption of ASU 2014-09	Effect of Change Higher (Lower)
<b>Liabilities</b>			
Other current liabilities	\$ 208	\$ 206	\$ 2
Other long-term liabilities	198	192	6
<b>Deficit</b>			
Accumulated Deficit	(205)	(197)	(8)

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2018, the FASB issued ASU 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The ASU addresses certain stranded income tax effects in accumulated other comprehensive income (AOCI) resulting from the Tax Cuts and Jobs Act (the "2017 Tax Act"). The ASU provides an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the 2017 Tax Act (or portion thereof) is recorded and requires additional disclosures. The ASU is effective for fiscal years beginning after December 15, 2018 (January 1, 2019 for Kodak) and interim periods within those fiscal years. Early adoption is permitted and may be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the 2017 Tax Act is recognized. Kodak plans to adopt the new standard on the effective date. Kodak is currently evaluating the impact of this ASU.

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

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and eliminates certain real estate-specific provisions. The new leasing standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018 (January 1, 2019 for Kodak). Early adoption is permitted. Kodak plans to adopt the new standard on the effective date and is currently evaluating the impact of this ASU on its financial statements. Kodak is currently evaluating its existing lease portfolio, including accumulating all the necessary information required to properly account for the leases under the new standard. Additionally, a new lease accounting system is being implemented to support the accounting and disclosure requirements of the new standard. Kodak anticipates that the adoption of the amended lease guidance will materially affect its Consolidated Statement of Financial Position and may require certain changes to its systems and processes.

## NOTE 2: CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

(in millions)	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 275	\$ 344
Restricted cash included in Other current assets	7	8
Long-term restricted cash	11	17
Total cash, cash equivalents and restricted cash shown in the Statement of Cash Flows	<u>\$ 293</u>	<u>\$ 369</u>

Restricted cash included in Other current assets on the Statement of Financial Position primarily represents amounts which support hedging activities.

Long-term restricted cash includes \$5 million and \$6 million of security posted related to Brazilian legal contingencies as of June 30, 2018 and December 31, 2017, respectively. Long-term restricted cash also includes \$0 million and \$6 million as of June 30, 2018 and December 31, 2017, respectively, supporting compliance with the Excess Availability threshold under the Amended and Restated Credit Agreement (the "Amended Credit Agreement").

## NOTE 3: INVENTORIES, NET

(in millions)	June 30, 2018	December 31, 2017
Finished goods	\$ 168	\$ 159
Work in process	65	57
Raw materials	68	60
Total	<u>\$ 301</u>	<u>\$ 276</u>

**NOTE 4: OTHER CURRENT LIABILITIES**

(in millions)	June 30, 2018	December 31, 2017
Employee related liabilities	\$ 46	\$ 47
Deferred revenue	33	30
Deferred consideration on disposed businesses	24	10
Customer rebates	23	29
Workers compensation	10	10
Restructuring liabilities	4	10
Other	68	81
Total	<u>\$ 208</u>	<u>\$ 217</u>

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

**NOTE 5: OTHER LONG-TERM LIABILITIES**

(in millions)	June 30, 2018	December 31, 2017
Workers compensation	\$ 95	\$ 96
Asset retirement obligations	47	43
Deferred taxes	14	16
Environmental liabilities	12	12
Embedded conversion features derivative liability (1)	3	—
Deferred consideration on disposed businesses	—	14
Other	27	21
Total	<u>\$ 198</u>	<u>\$ 202</u>

(1) Refer to Note 21, "Financial Instruments"

## NOTE 6: DEBT AND CAPITAL LEASES

Debt and capital leases and related maturities and interest rates were as follows at June 30, 2018 and December 31, 2017 (in millions):

(in millions)				June 30, 2018	December 31, 2017
	Type	Maturity	Weighted-Average Effective Interest Rate	Carrying Value	Carrying Value
Current portion:					
	Capital leases	Various	Various	\$ 3	\$ 3
	Other debt	Various	Various	—	1
				<u>3</u>	<u>4</u>
Non-current portion:					
	Term note	2019	7.34%	393	393
	Capital leases	Various	Various	3	4
	Other debt	Various	Various	2	2
				<u>398</u>	<u>399</u>
				<u>\$ 401</u>	<u>\$ 403</u>

On September 3, 2013, the Company entered into (i) the First Lien Term Credit Agreement with the lenders party thereto (the "First Lien Lenders"), JPMorgan Chase Bank, N.A. as administrative agent, and J.P. Morgan Securities LLC, Barclays Bank PLC, and Merrill Lynch, Pierce, Fenner & Smith Inc. as joint lead arrangers and joint bookrunners, and (ii) a Senior Secured Second Lien Term Credit Agreement (the "Second Lien Term Credit Agreement," and together with the First Lien Term Credit Agreement, the "Term Credit Agreements"), with the lenders party thereto (the "Second Lien Lenders," and together with the First Lien Lenders, the "Term Credit Lenders"), Barclays Bank PLC as administrative agent, and J.P. Morgan Securities LLC, Barclays Bank PLC and Merrill Lynch, Pierce, Fenner & Smith Inc. as joint lead arrangers and joint bookrunners.

Additionally, the Company and its U.S. subsidiaries (the "Subsidiary Guarantors") entered into an Asset Based Revolving Credit Agreement (the "ABL Credit Agreement" and together with the Term Credit Agreements, the "Credit Agreements") with the lenders party thereto (the "ABL Lenders" and together with the First Lien Lenders and the Second Lien Lenders, the "Lenders") and Bank of America N.A. as administrative agent and collateral agent, Barclays Bank PLC as syndication agent and Merrill Lynch, Pierce, Fenner & Smith Inc., Barclays Bank PLC and J.P. Morgan Securities LLC as joint lead arrangers and joint bookrunners. Pursuant to the terms of the Credit Agreements, the Term Credit Lenders provided the Company with term loan facilities in an aggregate principal amount of \$695 million, consisting of \$420 million of first-lien term loans (the "First Lien Loans") and \$275 million of second-lien term loans (the "Second Lien Loans"). Net proceeds from the Term Credit Agreements were \$664 million (\$695 million aggregate principal less \$16 million stated discount and \$16 million in debt transaction costs). The loans made under the First Lien Term Credit Agreement become due on the earlier to occur of (i) the maturity date of September 3, 2019 or (ii) the acceleration of such loans following the occurrence of an event of default (as defined in the First Lien Term Credit Agreement). The Second Lien Term Credit Agreement was prepaid and terminated on November 15, 2016.

The Credit Agreements limit, among other things, the Company's and the Subsidiary Guarantors' ability to (i) incur indebtedness, (ii) incur or create liens, (iii) dispose of assets, (iv) make restricted payments (including dividend payments, et al.) and (v) make investments. In addition to other customary affirmative covenants, the Credit Agreements provide for a periodic delivery by the Company of its various financial statements as set forth in the Credit Agreements. Events of default under the Credit Agreements include, among others, failure to pay any loan, interest or other amount due under the applicable credit agreement, breach of specific covenants and a change of control of the Company. Upon an event of default, the applicable lenders may declare the outstanding obligations under the applicable credit agreement to be immediately due and payable and exercise other rights and remedies provided for in such credit agreement.

The First Lien Loans bear interest at the rate of LIBOR plus 6.25% per annum, with a LIBOR floor of 1% or Alternate Base Rate (as defined in the First Lien Term Credit Agreement) plus 5.25%. Each existing and future direct or indirect U.S. subsidiary of the Company (other than immaterial subsidiaries, unrestricted subsidiaries and certain other subsidiaries) have agreed to provide unconditional guarantees of the obligations of the Company under the Credit Agreements. Subject to certain exceptions, obligations under the First Lien Term Credit Agreement are secured by: (i) a first lien on all assets of the Company and the Subsidiary Guarantors, other than the ABL Collateral (as defined below), including a first lien on 100% of the stock of material domestic subsidiaries and 65% of the stock of material first-tier foreign subsidiaries (collectively the "Term Collateral") and (ii) a second lien on the ABL Collateral. Obligations under the Asset Based Revolving Credit Agreement are secured by: (i) a first lien on cash, accounts receivable, inventory, machinery and equipment (the "ABL Collateral") and (ii) a second lien on the Term Collateral. The Company may voluntarily prepay the First Lien Loan.

As defined in the First Lien Term Credit Agreement, the Company is required to prepay loans with net proceeds from asset sales, recovery events or issuance of indebtedness, subject to, in the case of net proceeds received from asset sales or recovery events, reinvestment rights by the Company in assets used or usable by the business within certain time limits. During 2016 and 2017, Kodak prepaid \$11 million of principal under the First Lien Term Credit Agreement. Under the terms of the First Lien Term Credit Agreement, the prepayments were applied first to the installment principal payments of \$4 million due over the next twelve months, then ratably to the remaining scheduled payments. With the prepayments, Kodak does not owe any future scheduled principal payments until the maturity date of the loan.

On an annual basis, the Company will prepay on June 30 of the following fiscal year loans in an amount equal to a percentage of Excess Cash Flow ("ECF") as defined in the First Lien Term Credit Agreement, provided no such prepayment is required if such prepayment would cause U.S. liquidity (as defined in the First Lien Term Credit Agreement) to be less than \$100 million or the Secured Leverage ratio is less than 2.25 to 1.00. For the year ended December 31, 2017 ECF was a negative amount. Therefore, no prepayment of First Lien term debt was required. Any mandatory prepayments as described above shall be reduced by any mandatory prepayments of the First Lien Loan.

Under the First Lien Term Credit Agreement, the Company is required to maintain a Secured Leverage Ratio (as defined therein) not to exceed specified levels. The Secured Leverage Ratio under the First Lien Term Credit Agreement is tested at the end of each quarter based on the prior four quarters. The maximum Secured Leverage Ratio permitted under the First Lien Term Credit Agreement is 2.75:1. As of June 30, 2018 and December 31, 2017, Kodak was in compliance with all covenants under the First Lien Term Credit Agreement.

Under the terms of the Credit Agreements, the Company may designate Restricted Subsidiaries as Unrestricted Subsidiaries provided the aggregate sales of all Unrestricted Subsidiaries are less than 7.5% of the consolidated sales of Kodak and the aggregate assets of all Unrestricted Subsidiaries are less than 7.5% of Kodak's consolidated assets. Further, under the Amended Credit Agreement, on a pro forma basis at the time of designation and immediately after giving effect thereto, Excess Availability must be at least \$30 million and the pro forma Fixed Charge Coverage Ratio must be no less than 1.0 to 1.0. Upon designation of Unrestricted Subsidiaries, the Company will be required to provide to the Lenders reconciling statements to eliminate all financial information pertaining to Unrestricted Subsidiaries which is included in its annual and quarterly financial statements.

In March 2018, the Company designated five subsidiaries as Unrestricted Subsidiaries, Kodak PE Tech, LLC, Kodak LB Tech, LLC, Kodak Realty, Inc., Kodakit Singapore Pte. Limited and KP Services (Jersey) Ltd. This action allowed the Company to better position assets which may be monetized in the future and address costs related to underutilized properties. Collectively, these subsidiaries had sales of approximately \$3 million and \$5 million for the quarter and six months ended June 30, 2018, respectively, which represents 1% of Kodak's consolidated sales for both the quarter and six months ended June 30, 2018. These subsidiaries had assets of \$23 million as of June 30, 2018, which represents 1% of Kodak's consolidated assets as of June 30, 2018. Each of the capitalized but undefined terms has the meaning ascribed to such term in the Credit Agreements. EBITDA of the Unrestricted Subsidiaries, as calculated under the Term Credit Agreement and the Amended Credit Agreement, is a loss and is excluded from the calculation of the Secured Leverage Ratio. Therefore, designating these Subsidiaries as Unrestricted had the impact of improving the Secured Leverage Ratio.

Kodak intends to conduct its operations in a manner that will result in continued compliance with the Credit Agreements; however, compliance for future quarters may depend on Kodak undertaking one or more non-operational transactions, such as the repatriation of cash into the U.S., the management of operating cash outflows, the designation of additional subsidiaries as Unrestricted Subsidiaries, a monetization of assets, a debt refinancing, the raising of equity capital, or a similar transaction. If Kodak is unable to remain in compliance and does not make alternate arrangements with its term lenders, an event of default would occur under the Credit Agreements which, among other remedies, would entitle the lenders or their agents to declare the outstanding obligations under the Term Credit Agreement to be immediately due and payable. There is no assurance Kodak will be able to complete any non-operational transaction it may undertake to maintain compliance with covenants under the Credit Agreements or to refinance, or otherwise pay, the First Lien Loans on or before the maturity date of September 3, 2019 or the obligations under the ABL Credit Agreement on June 6, 2019 if the First Lien Loans are not refinanced or paid on or before their maturity date.

See also the Going Concern subsection of Note 1, "Basis of Presentation and Recent Accounting Pronouncements".

#### ***Amended and Restated Credit Agreement***

On May 26, 2016, the Company and certain of its domestic subsidiaries (the "Subsidiary Guarantors") entered into an Amended and Restated Credit Agreement (the "Amended Credit Agreement" or "ABL Credit Agreement") with the lenders party thereto (the "Lenders"), Bank of America, N.A., as administrative and collateral agent, and Bank of America, N.A. and JPMorgan Chase Bank, N.A., as joint lead arrangers and joint bookrunners, which amended and restated the existing Asset Based Revolving Credit Agreement, dated as of September 3, 2013 (the "Prior Credit Agreement"). Each of the capitalized but undefined terms used in the context of describing the Amended Credit Agreement has the meaning ascribed to such term in the Amended Credit Agreement.

The Amended Credit Agreement decreased the aggregate amount of commitments from \$200 million to \$150 million and extended the maturity date to the earlier of May 26, 2021 or the date that is 90 days prior to the earliest scheduled maturity date of any of the Company's outstanding term loans or refinancings thereof, of which the earliest maturity date is currently September 3, 2019. The Amended Credit Agreement, among other things, lowered reserve requirements by eliminating the Availability Block and removed the ability to use Qualified Cash to support Excess Availability.

Each existing direct or indirect U.S. subsidiary of the Company (other than Immaterial Subsidiaries, Unrestricted Subsidiaries and certain other subsidiaries) has reaffirmed its unconditional guarantee (and any such future subsidiaries must provide an unconditional guarantee) of the obligations of the Company under the Amended Credit Agreement.

The Lenders will make available asset-based revolving loans (the "ABL Loans") and letters of credit in an aggregate amount of up to \$150 million, subject to the Borrowing Base. The Company has issued approximately \$79 million and \$96 million of letters of credit under the Amended Credit Agreement as of June 30, 2018 and December 31, 2017, respectively. The Company had approximately \$29 million and \$20 million of Excess Availability under the Amended Credit Agreement as of June 30, 2018 and December 31, 2017, respectively. Availability is subject to the borrowing base calculation, reserves and other limitations.

The ABL Loans bear interest at the rate of LIBOR plus 2.25% - 2.75% per annum or Base Rate plus 1.25% - 1.75% per annum based on Excess Availability.

Excess Availability is equal to the sum of (i) 85% of the amount of the Eligible Receivables less a Dilution Reserve, (ii) the lesser of 85% of Net Orderly Liquidation Value or 75% of the Eligible Inventory (iii) the lesser of 75% of Orderly Liquidation Value of Eligible Equipment or \$13 million, as of June 30, 2018 (which \$13 million decreases by \$1 million per quarter) and (iv) Eligible Cash less (a) Rent and Charges Reserves, (b) Principal Outstanding and (c) Outstanding Letters of Credit.

Under the Amended Credit Agreement, Kodak is required to maintain a minimum Fixed Charge Coverage Ratio of 1.00 to 1.00 when Excess Availability is less than 12.5% of lender commitments. As of June 30, 2018 and December 31, 2017, 12.5% of lender commitments were \$18.75 million.

If Excess Availability falls below 12.5% of lender commitments, Kodak may, in addition to the requirement to be in compliance with the minimum Fixed Charge Coverage Ratio, become subject to cash dominion control. Since Excess Availability was greater than 12.5% of lender commitments at June 30, 2018 and December 31, 2017, Kodak is not required to have a minimum Fixed Charges Coverage Ratio of 1.0 to 1.0. As of June 30, 2018 and December 31, 2017, Kodak was in compliance with all the covenants under the Amended Credit Agreement.

#### **NOTE 7: COMMITMENTS AND CONTINGENCIES**

As of June 30, 2018, the Company had outstanding letters of credit of \$79 million issued under the Amended Credit Agreement, as well as bank guarantees and letters of credit of \$3 million, surety bonds in the amount of \$42 million, and restricted cash and deposits of \$24 million, primarily to ensure the payment of possible casualty and workers' compensation claims, environmental liabilities, legal contingencies and rental payments and to support various customs, tax and trade activities. The restricted cash and deposits are reflected in Restricted cash, Other current assets and Other long-term assets in the Consolidated Statement of Financial Position.

Kodak's Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes in various stages of litigation, as well as civil litigation and disputes associated with former employees and contract labor. The tax matters, which comprise the majority of the litigation matters, are primarily related to federal and state value-added taxes. Kodak is disputing these matters and intends to vigorously defend its position. Kodak routinely assesses all these matters as to the probability of ultimately incurring a liability in its Brazilian operations and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of June 30, 2018, the unreserved portion of these contingencies, inclusive of any related interest and penalties, for which there was at least a reasonable possibility that a loss may be incurred, amounted to approximately \$20 million.

In connection with assessments in Brazil, local regulations may require Kodak to post security for a portion of the amounts in dispute. As of June 30, 2018, Kodak has posted security composed of \$5 million of pledged cash reported within Restricted cash in the Consolidated Statement of Financial Position and liens on certain Brazilian assets with a net book value of approximately \$61 million. Generally, any encumbrances on the Brazilian assets would be removed to the extent the matter is resolved in Kodak's favor.

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

## NOTE 8: GUARANTEES

EKC guarantees obligations to third parties for some of its consolidated subsidiaries. The maximum amount guaranteed is \$6 million and the outstanding amount for those guarantees is \$2 million.

In connection with the settlement of certain of the Company's historical environmental liabilities at Eastman Business Park, in the event the historical liabilities exceed \$99 million, the Company will become liable for 50% of the portion above \$99 million with no limitation to the maximum potential future payments. There is no liability recorded for this guarantee.

### **Extended Warranty Arrangements**

Kodak offers its customers extended warranty arrangements that are generally one year, but may range from three months to six years after the original warranty period. The change in Kodak's deferred revenue balance in relation to these extended warranty and maintenance arrangements from December 31, 2017 to June 30, 2018, which is reflected in Other current liabilities in the accompanying Consolidated Statement of Financial Position, was as follows:

(in millions)		
Deferred revenue on extended warranties as of December 31, 2017	\$	23
New extended warranty and maintenance arrangements in 2018		56
Recognition of extended warranty and maintenance arrangement revenue in 2018		(56)
Deferred revenue on extended warranties as of June 30, 2018	\$	<u>23</u>

## NOTE 9: REVENUE

### **Revenue Recognition**

Kodak's revenue transactions include sales of products (such as components and consumables for use in Kodak and other manufacturers' equipment and film-based products); equipment; software; services; integrated solutions; and intellectual property and brand licensing. Revenue from services includes extended warranty, customer support and maintenance agreements, consulting, business process services, training and education.

Revenues are recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration Kodak expects to be entitled to in exchange for those goods or services.

For product sales (such as plates, film, inks and other consumables) revenue is recognized when control has transferred from Kodak to the buyer, which may be upon shipment or upon delivery to the customer site, based on contract terms or legal requirements in certain jurisdictions. Service revenue is recognized using the time-based method ratably over the contractual period as it best depicts when the customer receives the benefit from the service. Service revenue for time and materials-based agreements is recognized as services are performed.

Equipment is generally dependent on, and interrelated with, the underlying operating system (firm ware) and cannot function without the operating system. In these cases, the hardware and software license are accounted for as a single performance obligation. Contracts with customers may include multiple performance obligations including equipment, and optional software licenses and service agreements. Service agreements may be prepaid or paid over-time and range from three months to six years. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on the prices charged to customers or using expected cost-plus margin.

For non-complex equipment installations and software sales (Prepress, Packaging and Prosper Components and Unified Workflow Solutions businesses) revenue is recognized when control of each distinct performance obligation has transferred from Kodak to the buyer, which is generally met when the equipment or software is delivered and installed at the customer site as delivery and installation generally occur within the same period. For complex equipment installations or integrated software solutions (Prosper Presses, Electrophotographic Printing Solutions Printers, Unified Workflow Solutions) revenue is deferred until receipt of customer acceptance and control has transferred to the buyer.

Software licenses are sold both in bundled equipment arrangements as discussed above or on a stand-alone basis (Unified Workflow Solutions business). Software licenses are generally perpetual and are usually sold with post-contract support services ("PCS") which are considered distinct performance obligations as the customer's use of the existing software is not dependent upon future upgrades. Kodak recognizes software revenue at the time that the customer obtains control over the software which generally occurs upon installation while revenue allocated to the PCS is recognized over the service period.

In service arrangements such as consulting or business process services (Kodak Technology Solutions business) where final acceptance by the customer is required, revenue is deferred until all acceptance criteria have been met and Kodak has a legal right to payment.

Kodak's licensing revenue is comprised of software licenses as discussed above, licenses to use functional intellectual property (patents and technical know-how) and licenses to use symbolic intellectual property (brand names and trademarks) (Consumer and Film businesses). The timing and the amount of revenue recognized from the licensing of intellectual property depends upon a variety of factors, including the nature of the performance obligations (functional vs. symbolic licenses) specific terms of each agreement, and the payment terms. Aside from software licenses discussed above, Kodak's functional licenses generally provide the right to use functional intellectual property; therefore, non-sales/usage-based revenue is recognized when the customer has the right to use the intellectual property while sales and usage-based royalties are recognized in the period the related sales and usage occurs. Revenue for symbolic licenses such as brand licenses are recognized over time.

Deferred revenue is recorded when cash payments are received in advance of satisfying performance obligations such as deposits required in advance on equipment orders, prepaid service contracts or prepaid royalties on intellectual property arrangements. Interest expense is imputed for payments received greater than one year in advance of performance.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. Kodak applies the practical expedient with respect to implied financial components and only imputes interest for payment terms greater than one year.

Sales and usage-based taxes are excluded from revenues. Certain customers may receive cash-based incentives or credits, which are accounted for as variable consideration. Kodak estimates these amounts based on the expected amount to be provided to customers.

Kodak expenses sales commissions when incurred if the amortization period would be one year or less. These costs are recorded in Selling, general and administrative expenses. Kodak accrues the estimated cost of post-sale obligations, including basic product warranties, at the time of revenue recognition. Shipping and handling costs are accounted for as fulfillment costs and are included in cost of sales.

Kodak does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less or for which revenue is recognized at the amount to which Kodak has the right to invoice for services performed. Performance obligations with an original expected length of greater than one year generally consist of deferred service contracts, operating leases and licensing arrangements. As of June 30, 2018, there was approximately \$75 million of unrecognized revenue from unsatisfied performance obligations. Approximately 20% of the revenue from unsatisfied performance obligations is expected to be recognized in 2018, 30% in 2019, 25% in 2020 and 25% thereafter.



### Disaggregation of Revenue

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

#### Major product:

#### Three Months Ended June 30, 2018

	Print Systems	Enterprise Inkjet Solutions	Flexographic Packaging Printing	Software & Solutions	Consumer & Film	Advanced Materials and 3D Technology Solutions	Eastman Business Park	Total
Plates, inks and other consumables	\$ 176	\$ 7	\$ 34	\$ —	\$ 4	\$ —	\$ —	\$ 221
Ongoing service arrangements (1)	33	20	2	12	1	—	—	68
Total Annuities	209	27	36	12	5	—	—	289
Equipment & Software	18	6	2	4	—	—	—	30
Film and chemicals	—	—	—	—	41	—	—	41
Other (2)	—	—	—	4	2	1	5	12
Total	\$ 227	\$ 33	\$ 38	\$ 20	\$ 48	\$ 1	\$ 5	\$ 372

#### Six Months Ended June 30, 2018

	Print Systems	Enterprise Inkjet Solutions	Flexographic Packaging Printing	Software & Solutions	Consumer & Film	Advanced Materials and 3D Technology Solutions	Eastman Business Park	Total
Plates, inks and other consumables	\$ 343	\$ 15	\$ 66	\$ —	\$ 9	\$ —	\$ —	\$ 433
Ongoing service arrangements (1)	67	40	4	24	1	—	—	136
Total Annuities	410	55	70	24	10	—	—	569
Equipment & Software	33	9	5	8	—	—	—	55
Film and chemicals	—	—	—	—	81	—	—	81
Other (2)	—	—	—	8	5	2	9	24
Total	\$ 443	\$ 64	\$ 75	\$ 40	\$ 96	\$ 2	\$ 9	\$ 729

- (1) Service revenue in the Consolidated Statement of Operations includes the ongoing service revenue shown above as well as revenue from project-based document management and managed print services businesses, which is included in Other above.
- (2) Other includes revenue from professional services, non-recurring engineering services, project-based document management and managed print services businesses, tenant rent and related property management services and licensing.

**Product Portfolio Summary:**

	Three Months Ended June 30, 2018							Total
	Print Systems	Enterprise Inkjet Solutions	Flexographic Packaging Printing	Software & Solutions	Consumer & Film	Advanced Materials and 3D Printing	Eastman Business Park	
Growth engines (1)	\$ 39	\$ 19	\$ 30	\$ 20	\$ 2	\$ 1	\$ —	\$ 111
Strategic other businesses (2)	180	—	8	—	42	—	5	235
Planned declining businesses (3)	8	14	—	—	4	—	—	26
	<u>\$ 227</u>	<u>\$ 33</u>	<u>\$ 38</u>	<u>\$ 20</u>	<u>\$ 48</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 372</u>

	Six Months Ended June 30, 2018							Total
	Print Systems	Enterprise Inkjet Solutions	Flexographic Packaging Printing	Software & Solutions	Consumer & Film	Advanced Materials and 3D Printing	Eastman Business Park	
Growth engines (1)	\$ 74	\$ 37	\$ 59	\$ 40	\$ 5	\$ 2	\$ —	\$ 217
Strategic other businesses (2)	350	—	16	—	82	—	9	457
Planned declining businesses (3)	19	27	—	—	9	—	—	55
	<u>\$ 443</u>	<u>\$ 64</u>	<u>\$ 75</u>	<u>\$ 40</u>	<u>\$ 96</u>	<u>\$ 2</u>	<u>\$ 9</u>	<u>\$ 729</u>

(1) Growth engines consist of Sonora, PROSPER, FLEXCEL NX, Software and Solutions, AM3D and brand licensing.

(2) Strategic Other Businesses include plates, Computer to Plate (“CTP”) and related service, and Nexpress and related toner business in the Print Systems segment, non-FLEXCEL NX in the Flexographic Packaging segment, Motion Picture and Industrial Film and Chemicals in the Consumer and Film segment, Eastman Business Park and intellectual property licensing.

(3) Planned Declining Businesses are product lines where the decision has been made to stop new product development and manage an orderly expected decline in the installed product and annuity base. These product families consist of Consumer Inkjet in the Consumer and Film segment, Versamark in the Enterprise Inkjet Systems segment and Digimaster in the Print Systems segment.

**Geography:**

	Three Months Ended June 30, 2018							Total
	Print Systems	Enterprise Inkjet Solutions	Flexographic Packaging Printing	Software & Solutions	Consumer & Film	Advanced Materials and 3D Technology Solutions	Eastman Business Park	
United States	\$ 60	\$ 11	\$ 6	\$ 7	\$ 32	\$ 1	\$ 5	\$ 122
Canada	3	—	1	1	1	—	—	6
North America	<u>63</u>	<u>11</u>	<u>7</u>	<u>8</u>	<u>33</u>	<u>1</u>	<u>5</u>	<u>128</u>
Europe, Middle East and Africa	93	13	16	5	5	—	—	132
Asia Pacific	57	8	8	6	10	—	—	89
Latin America	14	1	7	1	—	—	—	23
Total Sales	<u>\$ 227</u>	<u>\$ 33</u>	<u>\$ 38</u>	<u>\$ 20</u>	<u>\$ 48</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 372</u>

**Six Months Ended  
June 30, 2018**

	Print Systems	Enterprise Inkjet Solutions	Flexographic Packaging Printing	Software & Solutions	Consumer & Film	Advanced Materials and 3D Technology Solutions	Eastman Business Park	Total
United States	\$ 117	\$ 22	\$ 12	\$ 14	\$ 64	\$ 2	\$ 9	\$ 240
Canada	6	—	2	2	2	—	—	12
North America	123	22	14	16	66	2	9	252
Europe, Middle East and Africa	186	25	32	11	10	—	—	264
Asia Pacific	106	15	15	11	20	—	—	167
Latin America	28	2	14	2	—	—	—	46
<b>Total Sales</b>	<b>\$ 443</b>	<b>\$ 64</b>	<b>\$ 75</b>	<b>\$ 40</b>	<b>\$ 96</b>	<b>\$ 2</b>	<b>\$ 9</b>	<b>\$ 729</b>

**Contract Balances**

The timing of revenue recognition, billings and cash collections results in billed trade receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) in the Consolidated Statement of Financial Position. The contract assets are transferred to trade receivables when the rights to consideration become unconditional. The amounts recorded for contract assets at June 30, 2018 and December 31, 2017 were both \$3 million and are reported in Other current assets and Trade receivables, respectively, in the Consolidated Statement of Financial Position. The contract liabilities primarily relate to prepaid service contracts, upfront payments for certain equipment purchases or prepaid royalties on intellectual property arrangements. The amounts recorded for contract liabilities at June 30, 2018 and December 31, 2017 were \$47 million and \$37 million, respectively, of which \$41 million and \$37 million, respectively, are reported in Other current liabilities and \$6 million and \$0 million, respectively, are reported in Other long-term liabilities in the Consolidated Statement of Financial Position.

Revenue recognized for the three and six months ended June 30, 2018 that was included in the contract liability balance at the beginning of the year was \$4 million and \$29 million, respectively, and primarily represented revenue from prepaid service contracts and equipment revenue recognition. Contract liabilities as of June 30, 2018 include \$24 million and \$30 million of cash payments received during the three and six months ended June 30, 2018, respectively.

**NOTE 10: OTHER OPERATING (INCOME) EXPENSE, NET**

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Expense (income):				
Gain on sale of assets	\$ (1)	\$ —	\$ (2)	\$ (2)
Prosper asset remeasurement (1)	—	—	—	12
Asset impairments	—	2	—	2
Other	(1)	—	—	—
<b>Total</b>	<b>\$ (2)</b>	<b>\$ 2</b>	<b>\$ (2)</b>	<b>\$ 12</b>

(1) In the first quarter of 2017, Kodak reduced the carrying value of Prosper fixed assets (\$8 million) and intangible assets (\$4 million) to the amount that would have been recorded if the Prosper assets, which were previously presented as held for sale, had been continuously classified as held and used.

**NOTE 11: OTHER CHARGES (INCOME), NET**

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Change in fair value of embedded conversion features derivative liability (1)	\$ (7)	\$ (14)	\$ 7	\$ (36)
Loss on foreign exchange transactions	7	3	9	4
Other	1	2	1	3
Total	<u>\$ 1</u>	<u>\$ (9)</u>	<u>\$ 17</u>	<u>\$ (29)</u>

(1) Refer to Note 21, "Financial Instruments".

**NOTE 12: INCOME TAXES**

On December 22, 2017, President Trump signed into law tax legislation known as the 2017 Tax Act. The 2017 Tax Act changed many aspects of U.S. corporate income taxation and included a reduction of the corporate income tax rate from 35% to 21%, the implementation of a territorial tax system and the imposition of a tax on deemed repatriated earnings of foreign subsidiaries.

Effective January 1, 2018, the 2017 Tax Act also includes a provision to tax global intangible low-taxed income ("GILTI") of foreign subsidiaries, a base erosion anti-abuse tax ("BEAT") measure that taxes certain payments between a U.S. corporation and its subsidiaries and a foreign derived intangible income ("FDII") deduction which would reduce U.S. taxable income. Kodak provided the applicable provisional tax impacts in its consolidated financial statements for the six months ended June 30, 2018 which were fully offset by Kodak's U.S. valuation allowance resulting in no net tax provision.

Given the complexity of the GILTI provisions, Kodak is still evaluating the effects and has not yet determined its accounting policy. For the six months ended June 30, 2018, Kodak is still evaluating the GILTI provisions and the analysis of future taxable income that is subject to GILTI. Therefore, Kodak has included GILTI related to current year operations only in its estimated annual effective tax rate and has not provided additional GILTI on deferred items. The impact was fully offset by Kodak's U.S. valuation allowance, resulting in no net tax provision.

Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, ("SAB 118") addresses the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the 2017 Tax Act. Kodak has recognized the provisional tax impacts to the extent needed and included these amounts in its consolidated financial statements for the six months ended June 30, 2018. The ultimate impact may materially differ from these provisional amounts as a result of additional analysis, changes in interpretations and assumptions Kodak has made, additional regulatory guidance that may be issued, actions Kodak may take as a result of the 2017 Tax Act and other factors. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018.

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Earnings (loss) from continuing operations before income taxes	\$ 5	\$ 11	\$ (13)	\$ 21
Effective tax rate	20.0%	36.4%	(61.5)%	33.3%
Provision for income taxes	1	4	8	7
Provision (benefit) for income taxes at U.S. statutory tax rate	1	4	(3)	7
Difference between tax at effective vs. statutory rate	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11</u>	<u>\$ —</u>

For the three months ended June 30, 2018, the difference between Kodak's effective tax rate and the U.S. statutory rate of 21.0% is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses and (2) the results from operations in jurisdictions outside the U.S.

For the six months ended June 30, 2018, the difference between Kodak's effective tax rate and the U.S. statutory rate of 21.0% is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses, (2) the results from operations in jurisdictions outside the U.S. and (3) a provision associated with foreign withholding taxes on undistributed earnings.

For the three months ended June 30, 2017, the difference between Kodak's effective tax rate and the U.S. statutory rate of 35.0% is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses, (2) the results from operations in jurisdictions outside the U.S., (3) a benefit associated with foreign withholding taxes on undistributed earnings and (4) changes in audit reserves, including a settlement with a taxing authority in a location outside the U.S.

For the six months ended June 30, 2017, the difference between Kodak's effective tax rate and the U.S. statutory rate of 35.0% is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses, (2) the results from operations in jurisdictions outside the U.S., (3) a provision associated with foreign withholding taxes on undistributed earnings and (4) changes in audit reserves, including a settlement with a taxing authority in a location outside the U.S..

#### NOTE 13: RESTRUCTURING LIABILITIES

Charges for restructuring activities are recorded in the period in which Kodak commits to a formalized restructuring plan, or executes the specific actions contemplated by the plan, and all criteria for liability recognition under the applicable accounting guidance have been met. Restructuring actions taken in the first six months of 2018 were initiated to reduce Kodak's cost structure as part of its commitment to drive sustainable profitability and included various targeted reductions in manufacturing, service, sales, research and development, and other administrative functions.

##### **Restructuring Reserve Activity**

The activity in the accrued balances and the non-cash charges and credits incurred in relation to restructuring activities for the six months ended June 30, 2018 were as follows:

(in millions)	Severance Reserve (1)	Exit Costs Reserve (1)	Long-lived Asset Impairments and Inventory Write-downs (1)	Total
Balance as of December 31, 2017	\$ 6	\$ 4	\$ —	\$ 10
Q1 charges	2	—	—	2
Q1 utilization/cash payments	(4)	—	—	(4)
Balance as of March 31, 2018	\$ 4	\$ 4	\$ —	\$ 8
Q2 charges	\$ 2	\$ —	\$ —	\$ 2
Q2 utilization/cash payments	(3)	(2)	—	(5)
Q2 other adjustments and reclasses (2)	(1)	—	—	(1)
Balance as of June 30, 2018	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 4</u>

(1) The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments and inventory write-downs represent non-cash items.

(2) Represents severance charges funded from pension plan assets, which were reclassified to Pension and other postretirement liabilities.

For the three months ended June 30, 2018 the \$2 million of charges were reported as Restructuring costs and other.

The severance costs for the three months ended June 30, 2018 related to the elimination of approximately 40 positions including approximately 30 manufacturing/service positions, 5 research and development positions, and 5 administrative and sales positions. The geographic composition of these positions includes approximately 35 in the United States and Canada and 5 throughout the rest of the world.

For the six months ended June 30, 2018 the \$4 million of charges were reported as Restructuring costs and other.

The severance costs for the six months ended June 30, 2018 related to the elimination of approximately 75 positions including approximately 40 manufacturing/service positions, 5 research and development positions, and 30 administrative and sales positions. The geographic composition of these positions includes approximately 35 in the United States and Canada and 40 throughout the rest of the world.

As a result of these initiatives, the majority of the severance will be paid during periods through the end of 2018.

**NOTE 14: RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS**

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

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
<b>Major defined benefit plans:</b>								
Service cost	\$ 3	\$ 1	\$ 3	\$ 1	\$ 6	\$ 2	\$ 6	\$ 2
Interest cost	27	3	28	3	55	6	57	6
Expected return on plan assets	(56)	(6)	(61)	(6)	(112)	(13)	(122)	(13)
Amortization of:								
Prior service credit	(2)	—	(1)	—	(4)	—	(3)	—
Actuarial loss	2	1	—	—	3	2	—	1
Net pension income before special termination benefits	(26)	(1)	(31)	(2)	(52)	(3)	(62)	(4)
Special termination benefits	1	—	5	—	1	—	6	—
Net pension income	(25)	(1)	(26)	(2)	(51)	(3)	(56)	(4)
Other plans	—	—	—	1	—	—	—	1
Total net pension income	\$ (25)	\$ (1)	\$ (26)	\$ (1)	\$ (51)	\$ (3)	\$ (56)	\$ (3)

For the three and six months ended June 30, 2017 the special termination benefits charges were incurred as a result of Kodak's restructuring actions and, therefore, have been included in Restructuring costs and other in the Consolidated Statement of Operations for those periods.

**NOTE 15: REDEEMABLE, CONVERTIBLE SERIES A PREFERRED STOCK**

On November 15, 2016, the Company issued 2,000,000 shares of 5.50% Series A Convertible Preferred Stock, no par value per share (the "Series A Preferred Stock"), for an aggregate purchase price of \$200 million, or \$100 per share. The Company has classified the Series A Preferred Stock as temporary equity in the Consolidated Statement of Financial Position. Kodak allocated \$43 million of the net proceeds received to a derivative liability based on the aggregate fair value of the embedded conversion features on the date of issuance which reduced the net carrying value of the Series A Preferred Stock (see Note 21, "Financial Instruments"). The carrying value of the Series A Preferred Stock at the time of issuance, \$155 million (\$200 million aggregate gross proceeds less \$43 million allocated to the derivative liability and \$2 million in transaction costs), is being accreted to the mandatory redemption amount using the effective interest method to Additional paid in capital in the Consolidated Statement of Financial Position as a deemed dividend from the date of issuance through the mandatory redemption date, November 15, 2021. The holders of Series A Preferred Stock are entitled to cumulative dividends payable quarterly in cash at a rate of 5.50% per annum. All dividends owed on the Series A Preferred Stock have been declared and paid when due. As of June 30, 2018, the Series A Preferred Stock has not been converted and none of the antidilution provisions have been triggered. Any shares of Series A Preferred Stock not converted prior to the fifth anniversary of the initial issuance of the Series A Preferred Stock are required to be redeemed at \$100 per share plus the amount of accrued and unpaid dividends.

**NOTE 16: EARNINGS PER SHARE**

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

A reconciliation of the amounts used to calculate basic and diluted earnings per share for three and six months ended June 30, 2018 and 2017 follows (in millions):

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Earnings (loss) from continuing operations	\$ 4	\$ 7	\$ (21)	\$ 14
Less: Series A convertible preferred stock cash dividend	(3)	(3)	(6)	(6)
Less: Series A convertible preferred stock deemed dividend	(2)	(2)	(4)	(4)
(Loss) earnings from continuing operations available to common shareholders - basic and diluted	<u>\$ (1)</u>	<u>\$ 2</u>	<u>\$ (31)</u>	<u>\$ 4</u>
Net earnings (loss)	\$ 4	\$ 4	\$ (21)	\$ 11
Less: Series A convertible preferred stock cash dividend	(3)	(3)	(6)	(6)
Less: Series A convertible preferred stock deemed dividend	(2)	(2)	(4)	(4)
Net (loss) earnings available to common shareholders - basic and diluted	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (31)</u>	<u>\$ 1</u>
(in millions of shares)				
Weighted average shares - basic	42.7	42.5	42.6	42.5
Effect of dilutive securities				
Unvested restricted stock units	0.3	0.2	0.3	0.2
Weighted average shares - diluted	<u>43.0</u>	<u>42.7</u>	<u>42.9</u>	<u>42.7</u>

As a result of the net loss from continuing operations available to common shareholders for the three and six months ended June 30, 2018, Kodak calculated diluted earnings per share using weighted-average basic shares outstanding for those periods. If Kodak reported earnings from continuing operations available to common shareholders for both the three and six months ended June 30, 2018, the calculation of diluted earnings per share would have included the assumed conversion of 0.3 million of unvested restricted stock units.

The computation of diluted earnings per share for the three and six months ended June 30, 2018 and 2017 excluded the impact of (1) the assumed conversion of 2.0 million shares of Series A convertible preferred shares, (2) the assumed conversion of net share settled warrants to purchase 1.8 million shares of common stock at an exercise price of \$14.93, (3) the assumed conversion of net share settled warrants to purchase 1.8 million shares of common stock at an exercise price of \$16.12 and (4) the assumed conversion of outstanding employee stock options of 4.9 million and 4.8 million for the three and six months ended June 30, 2018, respectively, and 2.6 million for both the three and six months ended June 30, 2017, because the effects would have been anti-dilutive.

#### NOTE 17: SHAREHOLDERS' EQUITY

Kodak has 560 million shares of authorized stock, consisting of: (i) 500 million shares of common stock, par value \$0.01 per share and (ii) 60 million shares of preferred stock, no par value, issuable in one or more series. As of June 30, 2018 and December 31, 2017, there were 42.7 million and 42.6 million shares of common stock outstanding, respectively, and 2.0 million shares of Series A preferred stock issued and outstanding. Treasury stock consisted of approximately 0.6 million shares at both June 30, 2018 and December 31, 2017.

**NOTE 18: OTHER COMPREHENSIVE INCOME**

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Currency translation adjustments	\$ (20)	\$ —	\$ (7)	\$ 14
Pension and other postretirement benefit plan changes				
Newly established net actuarial gain (loss)	1	(1)	1	(1)
Tax benefit	—	—	—	—
Newly established net actuarial gain (loss), net of tax	1	(1)	1	(1)
Reclassification adjustments:				
Amortization of prior service credit	(a) (2)	(2)	(4)	(4)
Amortization of actuarial (gains) losses	(a) 1	—	2	(1)
Recognition of losses due to settlement	—	—	1	—
Total reclassification adjustments	(1)	(2)	(1)	(5)
Tax provision	—	—	—	—
Reclassification adjustments, net of tax	(1)	(2)	(1)	(5)
Pension and other postretirement benefit plan changes, net of tax	—	(3)	—	(6)
Other comprehensive income	\$ (20)	\$ (3)	\$ (7)	\$ 8

(a) Reclassified to Total Net Periodic Benefit Cost - refer to Note 14, "Retirement Plans and Other Postretirement Benefits".

**NOTE 19: ACCUMULATED OTHER COMPREHENSIVE LOSS**

Accumulated other comprehensive loss is composed of the following:

(in millions)	June 30, 2018	December 31, 2017
Currency translation adjustments	\$ (92)	\$ (85)
Pension and other postretirement benefit plan changes	(306)	(306)
Ending balance	\$ (398)	\$ (391)



## NOTE 20: SEGMENT INFORMATION

Kodak has seven reportable segments: Print Systems, Enterprise Inkjet Systems, Flexographic Packaging, Software and Solutions, Consumer and Film, Advanced Materials and 3D Printing Technology and Eastman Business Park. A description of the reportable segments follows.

**Print Systems:** The Print Systems segment is comprised of two lines of business: Prepress Solutions and Electrophotographic Printing Solutions.

**Enterprise Inkjet Systems:** The Enterprise Inkjet Systems segment is comprised of two lines of business: the Prosper business and the Versamark business.

**Flexographic Packaging:** The Flexographic Packaging segment is comprised of the Packaging line of business.

**Software and Solutions:** The Software and Solutions segment is comprised of two lines of business: Unified Workflow Solutions and Kodak Technology Solutions.

**Consumer and Film:** The Consumer and Film segment is comprised of three lines of business: Industrial Film and Chemicals, Motion Picture and Consumer Products (which includes Consumer Inkjet Solutions).

**Advanced Materials and 3D Printing Technology:** The Advanced Materials and 3D Printing Technology segment includes the Kodak Research Laboratories and associated new business opportunities and intellectual property licensing not directly related to other business segments.

**Eastman Business Park:** The Eastman Business Park segment includes the operations of the Eastman Business Park, a more than 1,200-acre technology center and industrial complex.

Segment financial information is shown below:

### Segment Revenues

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Print Systems	\$ 227	\$ 236	\$ 443	\$ 449
Enterprise Inkjet Systems	33	35	64	72
Flexographic Packaging	38	37	75	70
Software and Solutions	20	22	40	43
Consumer and Film	48	47	96	96
Advanced Materials and 3D Printing Technology	1	—	2	—
Eastman Business Park	5	4	9	8
Consolidated total	<u>\$ 372</u>	<u>\$ 381</u>	<u>\$ 729</u>	<u>\$ 738</u>

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Print Systems	\$ 8	\$ 15	\$ 12	\$ 27
Enterprise Inkjet Systems	1	1	1	1
Flexographic Packaging	9	8	16	14
Software and Solutions	(1)	(1)	(1)	(1)
Consumer and Film	(4)	(5)	(10)	(9)
Advanced Materials and 3D Printing Technology	(5)	(7)	(9)	(15)
Eastman Business Park	1	1	1	1
Total of reportable segments	9	12	10	18
Depreciation and amortization	(20)	(22)	(39)	(41)
Restructuring costs and other	(2)	(11)	(4)	(24)
Stock based compensation	(1)	(3)	(3)	(5)
Consulting and other costs (1)	(3)	—	(6)	(1)
Idle costs (2)	(1)	(1)	(2)	(2)
Manufacturing capacity expansion non-recurring costs (3)	(1)	—	(1)	—
Other operating income (expense), net (4)	2	(2)	2	(12)
Interest expense (4)	(9)	(8)	(17)	(16)
Pension income excluding service cost component (4)	32	37	64	75
Other (charges) income, net (4)	(1)	9	(17)	29
Consolidated earnings (loss) from continuing operations before income taxes	\$ 5	\$ 11	\$ (13)	\$ 21

- (1) Consulting and other costs are primarily professional services and internal costs associated with certain corporate strategic initiatives.
- (2) Consists of third party costs such as security, maintenance and utilities required to maintain land and buildings in certain locations not used in any Kodak operations.
- (3) Consists of noncapitalizable costs incurred as a result of the Flexographic Packaging segment's expansion at the manufacturing facility in Weatherford, Oklahoma.
- (4) As reported in the Consolidated Statement of Operations.

**Segment Measure of Profit and Loss**

Kodak's segment measure of profit and loss is an adjusted earnings before interest, taxes, depreciation and amortization ("Operational EBITDA"). As demonstrated in the above table, Operational EBITDA represents the earnings (loss) from continuing operations excluding the provision for income taxes; non-service cost components of pension and OPEB income; depreciation and amortization expense; restructuring costs; stock-based compensation expense; consulting and other costs; idle costs; manufacturing capacity expansion non-recurring costs; other operating income (expense), net (unless otherwise indicated); goodwill impairment losses; interest expense; and other (charges) income, net.

Kodak's segments are measured using Operational EBITDA both before and after allocation of corporate selling, general and administrative expenses ("SG&A"). The segment earnings measure reported is after allocation of corporate SG&A as this most closely aligns with U.S. GAAP. Research and Development activities not directly related to the other segments are reported within the Advanced Materials and 3D Printing Technology segment.

### Change in Segment Measure of Profitability

During the first quarter of 2018 the segment measure was changed to exclude amortization of prior service costs and credits which, due to the adoption of ASU 2017-17, are no longer reported in the same line item as other compensation costs arising from services rendered during the period. Refer to the Recently Adopted Accounting Pronouncements section of Note 1, "Basis of Presentation and Recent Accounting Pronouncements."

During the second quarter of 2018 the segment measure was changed to exclude manufacturing capacity expansion non-recurring costs for the expansion at the Flexographic Packaging segment's Weatherford, Oklahoma manufacturing facility. These costs in the prior periods were de minimis and therefore no prior period reclassification is necessary.

### NOTE 21: FINANCIAL INSTRUMENTS

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

Kodak's foreign currency forward contracts are not designated as hedges and are marked to market through net (loss) earnings at the same time that the exposed assets and liabilities are remeasured through net (loss) earnings (both in Other charges (income), net in the Consolidated Statement of Operations). The notional amount of such contracts open at June 30, 2018 and December 31, 2017 was approximately \$657 million and \$534 million, respectively. The majority of the contracts of this type held by Kodak as of June 30, 2018 and December 31, 2017 are denominated in Swiss francs and euros.

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net gain (loss) from derivatives not designated as hedging instruments	\$ 6	\$ (4)	\$ 6	\$ —

Kodak had no derivatives designated as hedging instruments for the three and six months ended June 30, 2018 and 2017.

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

As discussed in Note 15, "Redeemable, Convertible, Series A Preferred Stock", the Company concluded that the Series A Preferred Stock is considered more akin to a debt-type instrument and that the economic characteristics and risks of the embedded conversion features, except where the conversion price was increased to the liquidation preference, were not considered clearly and closely related to the Series A Preferred Stock. The embedded conversion features not considered clearly and closely related are the conversion at the option of the holder ("Optional Conversion"); the ability of Kodak to automatically convert the stock after the second anniversary of issuance ("Mandatory Conversion") and the conversion in the event of a fundamental change or reorganization ("Fundamental Change or Reorganization Conversion"). Accordingly, these embedded conversion features were bifurcated from the Series A Preferred Stock and separately accounted for on a combined basis as a single derivative asset or liability. The derivative is in a liability position at June 30, 2018 and in an asset position at December 31, 2017, and is reported in Other long-term liabilities and Other long-term assets, respectively, in the Consolidated Statement of Financial Position. The derivative is being accounted for at fair value with changes in fair value being reported in Other charges (income), net in the Consolidated Statement of Operations.

### Fair Value

Fair values of Kodak's foreign currency forward contracts are determined using observable inputs (Level 2 fair value measurements) and are based on the present value of expected future cash flows (an income approach valuation technique) considering the risks involved and using discount rates appropriate for the duration of the contracts. The gross fair value of foreign currency forward contracts in an asset position are reported in Receivables, net and the gross fair value of foreign currency forward contracts in a liability position are reported in Other current liabilities in the Consolidated Statement of Financial Position. The gross fair value of forward contracts in an asset position as of both June 30, 2018 and December 31, 2017 was \$7 million. The gross fair value of forward contracts in a liability position as of June 30, 2018 and December 31, 2017 was not material.

Transfers between levels of the fair value hierarchy are recognized based on the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during the three and six months ended June 30, 2018.

The fair value of the embedded conversion features derivative is calculated using unobservable inputs (Level 3 fair measurements). The value of the Optional Conversion and Mandatory Conversion is calculated using a binomial lattice model. The following table presents the key inputs in the determination of the fair value of the Optional Conversion and Mandatory Conversion at June 30, 2018 and December 31, 2017:

	Valuation Date	
	June 30, 2018	December 31, 2017
Total value of embedded derivative liability (asset) (\$ millions)	\$ 3	\$ (4)
Kodak's closing stock price	3.80	3.10
Expected stock price volatility	87.32%	58.22%
Risk free rate	2.65%	2.08%
Yield on the preferred stock	19.85%	22.31%

The Fundamental Change and Reorganization Conversion value at issuance was calculated as the difference between the total value of the Series A Preferred Stock and the sum of the net present value of the cash flows if the Series A Preferred Stock is redeemed on its fifth anniversary and the values of the other embedded derivatives. The Fundamental Change and Reorganization Conversion value reduces the value of the embedded conversion features derivative liability. Unless events occur which would alter the likelihood of a fundamental change or reorganization event, the value of the Fundamental Change and Reorganization Conversion reflects the value as of the issuance date, amortized for the passage of time. The Fundamental Change and Reorganization Conversion value exceeded the value of the Optional Conversion and Mandatory Conversion values at December 31, 2017 resulting in the derivative being reported as an asset.

The fair values of long-term debt (Level 2 fair value measurements) are determined by reference to quoted market prices of similar instruments, if available, or by pricing models based on the value of related cash flows discounted at current market interest rates. The fair values of long-term borrowings were \$376 million and \$348 million at June 30, 2018 and December 31, 2017, respectively.

The carrying values of cash and cash equivalents, restricted cash and short-term borrowings and current portion of long-term debt approximate their fair values.

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

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

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

Forward-looking statements include statements concerning Kodak's plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, liquidity, investments, financing needs and business trends and other information that is not historical information. When used in this document, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "predicts," "forecasts," "strategy," "continues," "goals," "targets" or future or conditional verbs, such as "will," "should," "could," or "may," and similar expressions, as well as statements that do not relate strictly to historical or current facts, are intended to identify forward-looking statements. All forward-looking statements, including management's examination of historical operating trends and data, are based upon Kodak's expectations and various assumptions. Future events or results may differ from those anticipated or expressed in the forward-looking statements. Important factors that could cause actual events or results to differ materially from the forward-looking statements include, among others, the risks and uncertainties described in more detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 under the headings "Business," "Risk Factors," "Legal Proceedings," and/or "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources," in the corresponding sections of this report on Form 10-Q and in the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2018, and in other filings the Company makes with the SEC from time to time, as well as the following:

- Kodak's ability to improve and sustain its operating structure, cash flow, profitability and other financial results;
- Kodak's ability to achieve cash forecasts, financial projections, and projected growth;
- Kodak's ability to achieve the financial and operational results contained in its business plans;
- Kodak's ability to comply with the covenants in its various credit facilities;
- Kodak's ability to repay, refinance or extend the maturity of the loans under the existing First Lien Term Credit Agreement prior to their maturity date of September 3, 2019 or prior to June 5, 2019, the date on which the Amended Credit Agreement will terminate unless such repayment, refinancing or extension has occurred, or the Amended Credit Agreement has been amended;
- Kodak's ability to discontinue, sell or spin-off certain businesses or operations, including its Flexographic Packaging segment, or otherwise monetize assets;
- Kodak's ability to fund continued investments, capital needs and restructuring payments and service its debt and Series A Preferred Stock;
- Changes in foreign currency exchange rates, commodity prices and interest rates;
- Kodak's ability to effectively anticipate technology trends and develop and market new products, solutions and technologies;
- Kodak's ability to effectively compete with large, well-financed industry participants;
- Continued sufficient availability of borrowings and letters of credit under the Amended Credit Agreement, Kodak's ability to obtain additional financing if and as needed and Kodak's ability to provide or facilitate financing for its customers;
- The performance by third parties of their obligations to supply products, components or services to Kodak; and
- The impact of the global economic environment on Kodak.

There may be other factors that may cause Kodak's actual results to differ materially from the forward-looking statements. All forward-looking statements attributable to Kodak or persons acting on its behalf apply only as of the date of this report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included or referenced in this document. Kodak undertakes no obligation to update or revise forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

### OVERVIEW

Kodak is a global commercial printing and imaging company with proprietary technologies in materials science, digital imaging science and software, and deposition processes (methods whereby one or more layers of various materials in gaseous, liquid or small particle form are deposited on a substrate in precise quantities and positions). Kodak leverages its core technology products and services to develop solutions for the product goods packaging and graphic communications markets, and is developing products for the functional printing markets. Kodak also offers brand licensing and intellectual property opportunities, provides products and services for motion pictures and other commercial films, and sells ink to its existing installed consumer inkjet printer base.

Revenue decreased \$9 million compared to the prior year quarter and first six months (2% and 1%, respectively), including the favorable impact of currency (\$11 million) and (\$31 million) in the current year quarter and first six months, respectively.

Kodak's strategy is to:

- Use Kodak's divisional structure to drive accountability, transparency and speed of decision making;
- Focus product investment in the following growth engines - Sonora, Ultrastream, FLEXCEL NX Systems and Plates, Advanced Materials and 3D Printing and Software and Services;
- Maintain market leadership position and cash flows associated with Print Systems;
- Manage the expected decline in and maximize cash generated by mature businesses;
- Continue to streamline processes to drive cost reductions and improve operating leverage; and
- Continue to explore opportunities to monetize the asset base.

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

- The Company has \$395 million of outstanding indebtedness under the First Lien Term Credit Agreement. The loans made under the First Lien Term Credit Agreement become due on the earlier of (i) the maturity date of September 3, 2019 or (ii) the acceleration of such loans following the occurrence of an event of default (as defined in the First Lien Term Credit Agreement). Kodak does not have committed refinancing or the liquidity to meet the debt obligation as it becomes due. Kodak is working to both reduce the overall debt balance by using proceeds from asset sales to pay down debt and to renew or replace the First Lien Term Credit Agreement.
- Print Systems' revenues accounted for approximately 61% of Kodak's revenues for both the quarter and first six months ended June 30, 2018. Print Systems' revenues decreased \$9 million (4%) and \$6 million (1%) compared with the prior year quarter and first six months, respectively, including the favorable impact of currency (\$8 million and \$22 million, respectively). Segment earnings declined \$7 million (47%) and \$15 million (56%) compared with the prior year quarter and first six months, respectively, driven by increased materials cost (aluminum). While digital plate offerings are experiencing market driven volume and pricing pressure, innovations in Kodak product lines which command premium prices, such as SONORA Process Free Plates, are expected to offset some of the long-term erosion in the market and manufacturing efficiencies are expected to mitigate the impact on earnings from revenue declines.
- In Enterprise Inkjet Systems, the legacy Versamark business is expected to continue to decline as a percentage of the segment's total revenue as the Prosper business continues to grow. The Prosper Inkjet Systems business is expected to continue to build profitability. Investment in the next generation technology, Ultrastream, is focused on the ability to place Ultrastream writing systems in original equipment manufacturers and hybrid applications. Enterprise Inkjet Systems' revenues declined \$2 million (6%) and \$8 million (11%) compared with the prior year quarter and first six months, respectively, driven by declines in Versamark. Segment earnings were flat compared with both the prior year quarter and first six months, as cost controls mitigated the impact of declining revenues.
- Within the Flexographic Packaging segment, growth in the installed base of FLEXCEL NX System computer-to-plate (CtP) imaging and related equipment is expected to drive continued growth of FLEXCEL NX printing consumables. The Other Packaging Business includes packaging printing products and services that are in mature stages in their product life cycles. Compared with the prior year quarter and first six months, Flexographic Packaging revenues increased \$1 million (3%) and \$5 million (7%), respectively. Segment earnings increased \$1 million (13%) and \$2 million (14%) compared to the prior year quarter and first six months, respectively.
- The Software and Solutions segment is comprised of Unified Workflow Solutions and Kodak Technology Solutions which includes enterprise services and solutions. Unified Workflow Solutions is an established product line, whereas Kodak Technology Solutions includes Kodak Services for Business and Kodakit. The contributions these business initiatives make to earnings are expected to grow with a modest amount of additional investment. Software and Solutions' revenues declined \$2 million (9%) and \$3 million (7%) compared to the prior year quarter and first six months, respectively, primarily reflecting Unified Workflow Solutions volume declines. Sales in Kodak Technology Solutions are project-based and can vary from year to year depending on the nature and number of projects in existence that year.
- Consumer and Film's revenues declined \$1 million compared with the prior year quarter (2%) and were unchanged compared with the prior year first six months. The segment loss decreased \$1 million and increased \$1 million compared with the prior year quarter and first six months, respectively. Kodak plans to continue to promote the use of film to utilize as much film manufacturing capacity as possible.
- Film and related component manufacturing operations and Kodak Research Laboratories utilize capacity at Eastman Business Park, which helps cost absorption for both Kodak operations and tenants at EBP.
- Kodak plans to capitalize on its intellectual property through new business or licensing opportunities in 3D printing materials, smart material applications, and printed electronics markets.

- Kodak plans to continue to pursue monetization of its asset base, selling and licensing intellectual property, selling and leasing excess capacity in its properties, and pursuing rights to an earn-out from a previous divestiture.

## CURRENT KODAK OPERATING MODEL AND REPORTING STRUCTURE

Kodak has seven reportable segments: Print Systems, Enterprise Inkjet Systems, Flexographic Packaging, Software and Solutions, Consumer and Film, Advanced Materials and 3D Printing Technology and Eastman Business Park.

### Print Systems

The Print Systems segment is comprised of Prepress Solutions, which includes Kodak's digital offset plate offerings and computer-to-plate imaging solutions, and Electrophotographic Printing Solutions, which offers high-quality digital printing solutions using electrically charged toner based technology. The Print Systems segment provides digital and traditional product and service offerings to a variety of commercial industries, including commercial print, direct mail, book publishing, newspapers and magazines and packaging.

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

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

#### *Prepress Solutions:*

- Digital offset plates include KODAK SONORA Process Free Plates. KODAK SONORA Process Free Plates are prepared directly with a CTP thermal output device and do not require subsequent processing chemistry, processing equipment or chemical disposal. As a result, the plates deliver cost savings and efficiency for customers and promote environmental sustainability practices.
- CTP output devices are used by customers to transfer images onto aluminum offset printing plates and provide consistent and high-quality imaging for offset press applications. CTP products provide high resolution, consistency and stability in thermal imaging. Kodak also offers a lower cost CTP system using TH5 imaging technology, which provides a highly efficient and cost-effective imaging solution at a lower price point.

#### *Electrophotographic Printing Solutions:*

- NEXPRESS printers produce high-quality, differentiated printing of short-run, personalized print applications, such as direct mail, books, marketing collateral and photo products.
- DIGIMASTER printers use monochrome electrophotographic printing technology for transactional printing, short-run books, corporate documentation, manuals and direct mail.

The Print Systems segment also provides service and support related to these products.

### Enterprise Inkjet Systems

The Enterprise Inkjet Systems segment contains the Prosper business and the Versamark business. The Enterprise Inkjet Systems products include production press systems, consumables (primarily ink), inkjet components and services.

#### *Prosper:*

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

- The focus of the Prosper business is on developing the next generation platform, Ultrastream, with solutions that place writing systems in original equipment manufacturers as well as direct sale press products that widens its reach into applications for packaging and décor and expands the substrate range to include plastics. Product development is currently in the stage of shipping evaluation kits to potential partners with commercialization expected in 2019.
- The Prosper business includes Kodak Print Services. Kodak Print Services prints the Jersey Evening Post as well as the majority of U.K. national newspapers for distribution in both Jersey and Guernsey islands. The business is used to demonstrate the value of the Kodak Prosper presses to customers around the world.

*Versamark:*

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

**Flexographic Packaging**

The Flexographic Packaging segment consists of flexographic imaging equipment, printing plates, consumables and related services, which enable graphic customization of a wide variety of packaging materials.

*FLEXCEL NX:*

- The FLEXCEL NX System, a fully-integrated digital flexographic plate imaging solution, enables prepress service providers and printers to create printing plates that provide high quality flexographic printing and enhance the efficiency of customers' printing processes.

*Other Packaging Business:*

- The FLEXCEL SR Plates portfolio comprises a full range of analog flexographic plates designed for trade shops and packaging printers that have not yet transitioned to digital technology. Kodak also manufactures and sells DITR Film, a no-process alternative to conventional graphic arts film and a wide range of analog and digital letterpress plates. Also included under this category are equipment service and the legacy APPROVAL proofing business.

**Software and Solutions**

The Software and Solutions segment is comprised of Unified Workflow Solutions and Kodak Technology Solutions, which includes enterprise services and solutions. Unified Workflow Solutions is an established product line whereas Kodak Technology Solutions includes Kodak Services for Business ("KSB") and Kodakit.

*Unified Workflow Solutions:*

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

*Kodak Technology Solutions:*

- KSB assists organizations with challenges and opportunities created by the worldwide digital transformation. It provides business process outsourcing services, scan and capture solutions, records conversion services, workflow solutions, content management, print and managed media services that assist customers with solutions that meet their business requirements. KSB has expertise in the capture, archiving, retrieval and delivery of documents including in depth knowledge of handling legacy media. KSB serves enterprise customers primarily in the banking, insurance and government sectors.
- Kodakit is a platform that connects businesses with professional photographers to cater to their photography needs. Customers include global hotels and online travel agencies, real estate companies, marketplaces, advertising agencies and global brands.



## **Consumer and Film**

The Consumer and Film segment is comprised of three lines of business: Consumer Products, Industrial Film and Chemicals, and Motion Picture.

### *Consumer Products:*

- Includes licensing of the Kodak brand to third parties. Kodak currently licenses its brand for use with a range of products including batteries, digital and instant print cameras and camera accessories, printers and LED lighting. Kodak intends to continue efforts to grow its portfolio of brand licenses to generate both ongoing royalty streams and upfront payments.
- Consumer Inkjet Solutions, which involves the sale of ink to an existing installed base of consumer inkjet printers.
- Kodak developed consumer products, including the Super 8 camera.

### *Industrial Film and Chemicals:*

- Offers industrial film, including films used by the electronics industry to produce printed circuit boards, as well as professional and consumer still photographic film.
- Includes related component businesses: Polyester Film; Solvent Recovery; and Specialty Chemicals, Inks and Dispersions.

### *Motion Picture:*

- Includes the motion picture film business serving the entertainment industry. Motion picture products are sold directly to studios, external laboratories and independent filmmakers.
- Kodak motion picture film processing laboratories offering onsite processing services at strategic locations in the U.S. and Europe.

## **Advanced Materials and 3D Printing Technology**

The Advanced Materials and 3D Printing Technology segment contains the Kodak Research Laboratories and associated new business opportunities and intellectual property licensing not directly related to other business divisions. Kodak conducts research and files patent applications with fundamental inventions from the Kodak Research Laboratories. Additionally, Kodak continues to file new patent applications in areas aligned with its core businesses. Via these core business patent applications along with the research inventions, Kodak maintains a large worldwide portfolio of pending applications and issued patents. Because product solutions in Advanced Materials and 3D Printing are in the process of being commercialized or are new business opportunities, a higher level of investment has been required. Advanced Materials and 3D Printing Technology significantly reduced the level of this investment in the fourth quarter of 2017, concentrating on opportunities that are commercialized or nearly commercialized with identified markets and customers.

Advanced Materials and 3D Printing Technology segment will also pursue partnership opportunities to commercialize materials and printed electronics technologies. These partnerships may include non-recurring engineering payments for Kodak efforts to further develop such technologies into products. Further, Advanced Materials and 3D Printing Technology segment provides a wide range of analytical services and non-recurring engineering services to external clients at market rates for such services.

### *Advanced Materials:*

- Advanced Materials is developing solutions for component smart materials based on the materials science inventions and innovations from the research laboratories. There are multiple applications that Kodak contemplates addressing in this category, but the singular focus now is light blocking particles for the textile market.

### *3D Printing:*

- 3D Printing concentrates on partnerships and/or licensing opportunities in printed electronics (micro 3D printing) and materials production for macro 3D printing companies.

### *IP Licensing:*

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

## **Eastman Business Park**

The Eastman Business Park segment includes the operations of Eastman Business Park, a more than 1,200-acre technology center and industrial complex in Rochester, New York and the leasing activities related to that space. A large portion of this facility is used in Kodak's own manufacturing and other operations, while the remaining portion is occupied by external tenants or available for rent to external tenants.

## Segment Revenues

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Print Systems	\$ 227	\$ 236	\$ 443	\$ 449
Enterprise Inkjet Systems	33	35	64	72
Flexographic Packaging	38	37	75	70
Software and Solutions	20	22	40	43
Consumer and Film	48	47	96	96
Advanced Materials and 3D Printing Technology	1	—	2	—
Eastman Business Park	5	4	9	8
Consolidated total	<u>\$ 372</u>	<u>\$ 381</u>	<u>\$ 729</u>	<u>\$ 738</u>

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Print Systems	\$ 8	\$ 15	\$ 12	\$ 27
Enterprise Inkjet Systems	1	1	1	1
Flexographic Packaging	9	8	16	14
Software and Solutions	(1)	(1)	(1)	(1)
Consumer and Film	(4)	(5)	(10)	(9)
Advanced Materials and 3D Printing Technology	(5)	(7)	(9)	(15)
Eastman Business Park	1	1	1	1
Depreciation and amortization	(20)	(22)	(39)	(41)
Restructuring costs and other	(2)	(11)	(4)	(24)
Stock based compensation	(1)	(3)	(3)	(5)
Consulting and other costs (1)	(3)	—	(6)	(1)
Idle costs (2)	(1)	(1)	(2)	(2)
Manufacturing capacity expansion non-recurring costs (3)	(1)	—	(1)	—
Other operating income (expense), net (4)	2	(2)	2	(12)
Interest expense (4)	(9)	(8)	(17)	(16)
Pension income excluding service cost component (4)	32	37	64	75
Other (charges) income, net (4)	(1)	9	(17)	29
Consolidated earnings (loss) from continuing operations before income taxes	<u>\$ 5</u>	<u>\$ 11</u>	<u>\$ (13)</u>	<u>\$ 21</u>

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

(2) Consists of third party costs such as security, maintenance and utilities required to maintain land and buildings in certain locations not used in any Kodak operations.

(3) Consists of noncapitalizable costs incurred as a result of the Flexographic Packaging segment's expansion at the manufacturing facility in Weatherford, Oklahoma.

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

## Segment Measure of Profit and Loss

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

Kodak's segments are measured using Operational EBITDA both before and after allocation of corporate selling, general and administrative expenses ("SG&A"). The segment earnings measure reported is after allocation of corporate SG&A as this most closely aligns with U.S. GAAP. Research and development activities not directly related to the other segments are reported within the Advanced Materials and 3D Printing Technology segment.

#### Change in Segment Measure of Profitability

During the first quarter of 2018 the segment measure was changed to exclude amortization of prior service costs and credits, which, due to the adoption of ASU 2017-17 are no longer reported in the same line items as other compensation costs arising from services rendered during the period. Refer to the Recently Adopted Accounting Pronouncements section of Note 1, "Basis of Presentation and Recent Accounting Pronouncements."

During the second quarter of 2018 the segment measure was changed to exclude manufacturing capacity expansion non-recurring costs for the Flexographic Packaging segment's expansion at the Weatherford, Oklahoma manufacturing facility. These costs in the prior periods were de minimis and therefore no prior period reclassification is necessary.

#### 2018 COMPARED WITH 2017 SECOND QUARTER RESULTS OF OPERATIONS

(in millions)	Three Months Ended June 30,					Six Months Ended June 30,				
	2018	% of Sales	2017	% of Sales	\$ Change	2018	% of Sales	2017	% of Sales	\$ Change
Revenues	\$ 372		\$ 381		\$ (9)	\$ 729		\$ 738		\$ (9)
Cost of revenues	312		311		1	615		606		9
Gross profit	60	16%	70	18%	(10)	114	16%	132	18%	(18)
Selling, general and administrative expenses	63	17%	66	17%	(3)	126	17%	131	18%	(5)
Research and development costs	14	4%	18	5%	(4)	29	4%	38	5%	(9)
Restructuring costs and other	2	1%	11	3%	(9)	4	1%	18	2%	(14)
Other operating (income) expense, net	(2)	(1)%	2	1%	(4)	(2)	(0)%	12	2%	(14)
(Loss) earnings from continuing operations before interest expense, other (income) charges, net and income taxes	(17)	(5)%	(27)	(7)%	10	(43)	(6)%	(67)	(9)%	24
Interest expense	9	2%	8	2%	1	17	2%	16	2%	1
Pension income excluding service cost component	(32)	(9)%	(37)	(10)%	5	(64)	(9)%	(75)	(10)%	11
Other charges (income), net	1	0%	(9)	(2)%	10	17	2%	(29)	(4)%	46
Earnings (loss) from continuing operations before income taxes	5	1%	11	3%	(6)	(13)	(2)%	21	3%	(34)
Provision for income taxes	1	0%	4	1%	(3)	8	1%	7	1%	1
Earnings (loss) from continuing operations	4	1%	7	2%	(3)	(21)	(3)%	14	2%	(35)
Loss from discontinued operations, net of income taxes	—	—	(3)	1%	3	—	—	(3)	0%	3
Net income (loss)	\$ 4	1%	\$ 4	1%	\$ —	\$ (21)	(3)%	\$ 11	1%	\$ (32)

## Revenue

### Current Quarter

For the three months ended June 30, 2018 revenues declined \$9 million compared with the same period in 2017. Volume and pricing declines within Print Systems (\$16 million) were offset by favorable foreign currency (\$11 million). See segment discussions for additional details.

### Year to Date

For the six months ended June 30, 2018 revenues declined \$9 million compared with the same period in 2017. Volume and pricing declines within Print Systems (\$27 million) and Enterprise Inkjet Systems (\$11 million) were offset by favorable foreign currency (\$31 million). See segment discussions for additional details.

## Gross Profit

### Current Quarter

The decrease in gross profit for the three months ended June 30, 2018 of approximately \$10 million compared with the same period in 2017 reflected volume and pricing declines within Print Systems (\$6 million) and higher aluminum costs within Print Systems (\$7 million), partially offset by other favorable costs in Print Systems (\$4 million). See segment discussions for additional details.

### Year to Date

The decrease in gross profit for the six months ended June 30, 2018 of approximately \$18 million compared with the same period in 2017 reflected volume and pricing declines within Print Systems (\$10 million) and Enterprise Inkjet Systems (\$6 million), higher aluminum costs within Print Systems (\$15 million), partially offset by reduced inventory write-offs due to restructuring (\$6 million), favorable costs in Print Systems (\$6 million) and favorable foreign currency (\$4 million). See segment discussions for additional details.

## Selling, General and Administrative Expenses

Consolidated SG&A decreased \$3 million and \$5 million for the quarter and six months ended June 30, 2018 primarily due to lower investment in segment selling and marketing activities (\$3 million and \$6 million, respectively), driven by a lower investment in Print Systems during the quarter and Print Systems and Enterprise Inkjet Systems in the six month period, in addition to lower stock compensation expense (\$1 million and \$2 million, respectively), partially offset by higher costs associated with strategic initiatives such as asset sales and debt restructuring (\$3 million and \$4 million, respectively).

## Research and Development Costs

Consolidated R&D expenses decreased \$4 million and \$9 million for the quarter and first six months ended June 30, 2018 primarily due to the reduced level of investment in Advanced Materials and 3D Printing (\$3 million and \$7 million, respectively).

## PRINT SYSTEMS SEGMENT

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	\$ Change	2018	2017	\$ Change
Revenues	\$ 227	\$ 236	\$ (9)	\$ 443	\$ 449	\$ (6)
Operational EBITDA	\$ 8	\$ 15	\$ (7)	\$ 12	\$ 27	\$ (15)
Operational EBITDA as a % of revenues	4%	6%		3%	6%	

## Revenues

### Current Quarter

The decrease in Print Systems revenues for the three months ended June 30, 2018 of approximately \$9 million reflected lower pricing (\$2 million) driven by competitive pressures in the industry combined with volume declines (\$11 million) in Prepress Solutions, and volume declines (\$2 million) in Electrophotographic Printing Solutions consumables and service. Partially offsetting the declines was favorable foreign currency (\$8 million).

### Year to Date

The decrease in Print Systems revenues for the six months ended June 30, 2018 of approximately \$6 million reflected lower pricing (\$6 million) driven by competitive pressures in the industry combined with volume declines (\$15 million) in Prepress Solutions, and volume declines (\$5 million) in Electrophotographic Printing Solutions consumables and service. Partially offsetting the declines was favorable foreign currency (\$22 million).

## Operational EBITDA

### Current Quarter

The decrease in Print Systems Operational EBITDA for the three months ended June 30, 2018 of approximately \$7 million reflected lower pricing (\$2 million) in Prepress Solutions, volume declines in Electrophotographic Printing Solutions (\$2 million) and higher aluminum costs (\$7 million) partially offset by manufacturing cost improvements in Prepress consumables (\$4 million) and lower SG&A costs (\$2 million).

### Year to Date

The decrease in Print Systems Operational EBITDA for the six months ended June 30, 2018 of approximately \$15 million reflected lower pricing (\$6 million) and volume declines (\$2 million) in Prepress Solutions, higher aluminum costs (\$15 million) and the unfavorable impact of currency (\$3 million) partially offset by manufacturing cost improvements in Prepress consumables (\$6 million) and lower SG&A costs (\$5 million).

## ENTERPRISE INKJET SYSTEMS SEGMENT

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	\$ Change	2018	2017	\$ Change
Revenues	\$ 33	\$ 35	\$ (2)	\$ 64	\$ 72	\$ (8)
Operational EBITDA	\$ 1	\$ 1	\$ —	\$ 1	\$ 1	\$ —
Operational EBITDA as a % of revenues	3%	3%		2%	1%	

### Revenues

#### Current Quarter

The decrease in Enterprise Inkjet Systems revenues for the three months ended June 30, 2018 of approximately \$2 million primarily reflected lower volume of VERSAMARK service and consumables (\$3 million) due to declines in the installed base of VERSAMARK systems.

#### Year to Date

The decrease in Enterprise Inkjet Systems revenues for the six months ended June 30, 2018 of approximately \$8 million primarily reflected lower volume of VERSAMARK service and consumables (\$6 million) due to declines in the installed base of VERSAMARK systems, lower volume of VERSAMARK system placements (\$4 million) primarily due to the placement of used equipment in the prior year and unfavorable product mix and pricing for Prosper components (\$1 million). The unfavorable impacts were partially offset by the favorable impact of currency (\$3 million) and volume improvements in PROSPER annuities (\$1 million).

### Operational EBITDA

#### Current Quarter

Enterprise Inkjet Systems Operational EBITDA for the three months ended June 30, 2018 was flat compared to the prior year quarter primarily reflecting service and manufacturing cost improvements and a lower level of investment in marketing, advertising and sales activities (each \$1 million) partially offset by the lower volume of VERSAMARK service and consumables and unfavorable product mix and pricing for Prosper components (each \$1 million).

#### Year to Date

Enterprise Inkjet Systems Operational EBITDA for the six months ended June 30, 2018 was flat compared to the prior year first six months primarily due to service and manufacturing cost improvements (\$1 million) and a lower level of investment in marketing, advertising and sales activities (\$3 million) and R&D activities (\$2 million) partially offset by the lower volume of VERSAMARK service, consumables and equipment (\$4 million) and unfavorable product mix and pricing for Prosper components (\$1 million).

## FLEXOGRAPHIC PACKAGING SEGMENT

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	\$ Change	2018	2017	\$ Change
Revenues	\$ 38	\$ 37	\$ 1	\$ 75	\$ 70	\$ 5
Operational EBITDA	\$ 9	\$ 8	\$ 1	\$ 16	\$ 14	\$ 2
Operational EBITDA as a % of revenues	24%	22%		21%	20%	

## Revenues

### Current Quarter

The increase in Flexographic Packaging revenues for the three months ended June 30, 2018 of approximately \$1 million primarily reflected volume improvements in FLEXCEL NX consumables (\$2 million) due to a larger installed base of FLEXCEL NX systems and the favorable impact of currency (\$1 million) partially offset by lower volumes of FLEXCEL NX equipment (\$1 million) and declining revenues from other packaging products (\$1 million).

### Year to Date

The increase in Flexographic Packaging revenues for the six months ended June 30, 2018 of approximately \$5 million primarily reflected volume improvements in FLEXCEL NX consumables (\$5 million) due to a larger installed base of FLEXCEL NX systems and the favorable impact of currency (\$3 million) partially offset by declining revenues from other packaging products (\$2 million).

## Operational EBITDA

### Current Quarter

Flexographic Packaging Operational EBITDA improved \$1 million for the quarter ended June 30, 2018 primarily reflecting volume improvements in FLEXCEL NX consumables (\$1 million) offset by increased investment in product development, marketing and sales activities (\$1 million).

### Year to Date

The improvement in Flexographic Packaging Operational EBITDA of approximately \$2 million in the six months ended June 30, 2018 was primarily driven by volume improvements in FLEXCEL NX consumables (\$3 million) and the favorable impact of currency (\$1 million) partially offset by increased investment in product development, marketing and sales activities (\$2 million).

## SOFTWARE AND SOLUTIONS SEGMENT

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	\$ Change	2018	2017	\$ Change
Revenues	\$ 20	\$ 22	\$ (2)	\$ 40	\$ 43	\$ (3)
Operational EBITDA	\$ (1)	\$ (1)	\$ —	\$ (1)	\$ (1)	\$ —
Operational EBITDA as a % of revenues	(5)%	(5)%		(3)%	(2)%	

## Revenues

### Current Quarter

The decline in Software and Solutions revenues for the three months ended June 30, 2018 of approximately \$2 million was primarily due to lower volume in United Workflow Solutions (\$2 million).

### Year to Date

The decline in Software and Solutions revenues for the six months ended June 30, 2018 of approximately \$3 million was primarily due to lower volume in United Workflow Solutions (\$4 million) partially offset by the favorable impact of currency (\$1 million).

## Operational EBITDA

Software and Solutions Operational EBITDA was flat for the three and six months ended June 30, 2018 primarily reflecting lower costs (\$2 million and \$3 million, respectively) offsetting volume declines in United Workflow Solutions (\$1 million and \$3 million, respectively).

## CONSUMER AND FILM SEGMENT

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	\$ Change	2018	2017	\$ Change
Revenues	\$ 48	\$ 47	\$ 1	\$ 96	\$ 96	\$ —
Operational EBITDA	\$ (4)	\$ (5)	\$ 1	\$ (10)	\$ (9)	\$ (1)
Operational EBITDA as a % of revenues	(8)%	(11)%		(10)%	(9)%	

## Revenues

### Current Quarter

The increase in Consumer and Film revenues for the three months ended June 30, 2018 of approximately \$1 million was primarily due to higher volume in Industrial Film and Chemicals (\$3 million) primarily due to timing of customer orders, higher brand licensing revenue (due to the modified retrospective adoption approach of ASU 2014-09) and the favorable impact of currency (each \$1 million) partially offset by volume declines in Consumer Inkjet Systems (\$2 million) driven by lower sales of ink to the existing installed base of printers and lower volume in Motion Picture (\$2 million).

### Year to Date

Consumer and Film revenues for the six months ended June 30, 2018 were unchanged from the prior year, primarily reflecting higher volume in Industrial Film and Chemicals (\$2 million) primarily due to timing of customer orders, higher brand licensing revenue (due to the modified retrospective adoption approach of ASU 2014-09) and the favorable impact of currency (each \$2 million) offset by volume declines in Consumer Inkjet Systems (\$6 million) driven by lower sales of ink to the existing installed base of printers.

## Operational EBITDA

### Current Quarter

The improvement in Consumer and Film Operational EBITDA for the three months ended June 30, 2018 of approximately \$1 million primarily reflected higher brand licensing revenue (due to the modified retrospective adoption approach of ASU 2014-09), the favorable impact of currency and lower SG&A (each \$1 million) partially offset by volume declines in Consumer Inkjet Systems driven by lower sales of ink to the existing installed base of printers (\$1 million) and higher costs in Industrial Film and Chemicals (\$2 million).

### Year to Date

The decrease in Consumer and Film Operational EBITDA for the six months ended June 30, 2018 of approximately \$1 million primarily reflected volume declines in Consumer Inkjet Systems (\$4 million) driven by lower sales of ink to the existing installed base of printers and unfavorable cost in Industrial Film and Chemicals (\$4 million) partially offset by higher brand licensing revenue, the favorable impact of currency and lower SG&A (each \$2 million).

## ADVANCED MATERIALS AND 3D PRINTING TECHNOLOGY SEGMENT

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	\$ Change	2018	2017	\$ Change
Revenues	\$ 1	\$ —	\$ 1	\$ 2	\$ —	\$ 2
Operational EBITDA	\$ (5)	\$ (7)	\$ 2	\$ (9)	\$ (15)	\$ 6
Operational EBITDA as a % of revenues	N/A	N/A		N/A	N/A	

## Operational EBITDA

Advanced Materials and 3D Printing Technology Operational EBITDA for the quarter and six months ended June 30, 2018 improved by approximately \$2 million and \$6 million, respectively, due to the reduced level of investment.

## EASTMAN BUSINESS PARK SEGMENT

Eastman Business Park revenue and Operational EBITDA for the quarter and six months ended June 30, 2018 did not change significantly compared to the prior year periods.

A tenant that represented approximately thirty percent of segment revenues, for both the six months ended June 30, 2018 and the year ended December 31, 2017 notified Kodak that it does not plan to renew its lease upon expiration in the third quarter of 2018.

## RESTRUCTURING COSTS AND OTHER

Kodak recorded \$2 million and \$4 million of charges for the quarter and six months ended June 30, 2018, which were reported as Restructuring costs and other in the Consolidated Statement of Operations.

Kodak made cash payments related to restructuring of approximately \$5 million and \$9 million during the quarter and six months ended June 30, 2018.

The restructuring actions implemented in the first six months of 2018 are expected to generate future annual cash savings of approximately \$6 million. These savings are expected to reduce future annual Cost of revenues and SG&A expenses by \$2 million and \$4 million, respectively. Kodak began realizing a portion of these savings in the first six months and expects the majority of the annual savings to be in effect by the end of 2018 as actions are completed.

## LIQUIDITY AND CAPITAL RESOURCES

(in millions)	June 30, 2018	December 31, 2017
Cash, cash equivalents and restricted cash	\$ 293	\$ 369

### Cash Flow Activity

(in millions)	Six Months Ended June 30,		
	2018	2017	Change
<b>Cash flows from operating activities:</b>			
Net cash used in operating activities	\$ (49)	\$ (74)	\$ 25
<b>Cash flows from investing activities:</b>			
Net cash used in investing activities	(16)	(14)	(2)
<b>Cash flows from financing activities:</b>			
Net cash used in financing activities	(8)	(7)	(1)
Effect of exchange rate changes on cash	(2)	6	(8)
Effect of exchange rate changes on restricted cash	(1)	—	(1)
Net decrease in cash, cash equivalents and restricted cash	\$ (75)	\$ (89)	\$ 14

### Operating Activities

Net cash used in operating activities improved \$25 million for the six months ended June 30, 2018 as compared with the corresponding period in 2017 driven by less cash used in the current year period to satisfy accounts payable and other liabilities.

### Investing Activities

Net cash used in investing activities increased \$2 million for the six months ended June 30, 2018 as compared with the corresponding period in 2017.

### Financing Activities

Net cash used in financing activities increased \$1 million in the six months ended June 30, 2018 as compared with the corresponding period in 2017 due to a lower dividend payment made to the holders of Series A Preferred Stock in the prior year as the dividend reflected the partial quarter the Series A Preferred Stock was outstanding.

### Sources of Liquidity

Available liquidity includes cash balances and the unused portion of the Amended Credit Agreement. The Amended Credit Agreement had \$29 million of net availability ("Excess Availability") as of June 30, 2018. The amount of available liquidity is subject to fluctuations and includes cash balances held by various entities worldwide. At June 30, 2018 and December 31, 2017 approximately \$133 million and \$172 million, respectively, of cash and cash equivalents were held within the U.S. and approximately \$142 million and \$172 million, respectively, of cash and cash equivalents were held outside the U.S. Cash balances held outside the U.S. are generally required to support local country operations and may have high tax costs or other limitations that delay the ability to repatriate, and therefore may not be readily available for transfer to other jurisdictions. Kodak utilizes cash balances outside the U.S. to fund needs in the U.S. through the use of inter-company loans. As of June 30, 2018, outstanding inter-company loans to the U.S. were \$394 million which includes short-term inter-company loans from Kodak's international finance center of \$95 million. In China, where approximately \$77 million of cash and cash equivalents was held as of June 30, 2018, there are limitations related to net asset balances that may impact the ability to make cash available to other jurisdictions in the world. Under the terms of the Senior Secured First Lien Term Credit Agreement (the "Term Credit Agreement") and the Amended Credit Agreement, the Company is permitted to invest up to \$100 million in subsidiaries and joint ventures that are not party to these loan agreements.

As of June 30, 2018 and December 31, 2017, Kodak had funded \$0 million and \$6 million, respectively, to the Eligible Cash account held with the Amended and Restated Credit Agreement Administrative Agent which was classified as Restricted cash in the Consolidated Statement of Financial Position, supporting the Excess Availability amount.



During the second quarter of 2017, the Company reduced the amount of outstanding letters of credit issued under the Amended Credit Agreement by \$20 million, which increased the amount of Excess Availability by a corresponding amount, enabling the Company to release Eligible Cash. The reduction of outstanding letters of credit was primarily attributable to the substitution of partially collateralized surety bonds in place of outstanding letters of credit. As a result of the Company's current credit ratings, the Company could be required to provide up to \$19 million of letters of credit to the issuers of the surety bonds to fully collateralize the bonds.

Under the Amended Credit Agreement, if Excess Availability (\$29 million at June 30, 2018) falls below 12.5% of lender commitments (\$18.75 million at June 30, 2018), Kodak would be required to be in compliance with the minimum Fixed Charge Coverage Ratio (the only financial covenant in the Amended Credit Agreement) and could become subject to cash dominion control. In addition to Eligible Cash, the borrowing base is supported by Eligible Receivables, Eligible Inventory and Eligible Equipment. To the extent the assets supporting the borrowing base decline and/or letters of credit issued under the Amended Credit Agreement increase, if the remaining assets included in the borrowing base are not sufficient to support the required Excess Availability amount, funding of Eligible Cash may be required. Kodak intends to maintain Excess Availability above the minimum threshold. Since Excess Availability was greater than 12.5% of lender commitments as of June 30, 2018, Kodak is not required to have a minimum Fixed Charge Coverage Ratio of 1.0 to 1.0. As of June 30, 2018, Kodak is in compliance with all covenants under the Amended Credit Agreement. As of June 30, 2018 Fixed Charges exceeded EBITDA (as defined in the Amended Credit agreement) by approximately \$8 million.

Under the terms of the Term Credit Agreement, Kodak is required to maintain a Secured Leverage Ratio (the only financial covenant in the Term Credit Agreement) not to exceed 2.75 to 1. The Secured Leverage Ratio is tested at the end of each quarter based on the prior four quarters and is generally determined by dividing secured debt, net of U.S. cash and cash equivalents, by consolidated EBITDA, as calculated under the Term Credit Agreement. As of June 30, 2018, Kodak's EBITDA, as calculated under the Term Credit Agreement, exceeded the EBITDA necessary to satisfy the covenant ratio by approximately \$19 million.

Under the terms of the Amended Credit and Term Credit Agreements (the "Credit Agreements"), the Company may designate Restricted Subsidiaries as Unrestricted Subsidiaries provided the aggregate sales of all Unrestricted Subsidiaries are less than 7.5% of the consolidated sales of Kodak and the aggregate assets of all Unrestricted Subsidiaries are less than 7.5% of Kodak's consolidated assets. Further, under the Amended Credit Agreement, on a pro forma basis at the time of designation and immediately after giving effect thereto, Excess Availability must be at least \$30 million and the pro forma Fixed Charge Coverage Ratio must be no less than 1.0 to 1.0. Upon designation of Unrestricted Subsidiaries, the Company will be required to provide to the Lenders reconciling statements to eliminate all financial information pertaining to Unrestricted Subsidiaries which is included in its annual and quarterly financial statements.

In March 2018, the Company designated five subsidiaries as Unrestricted Subsidiaries, Kodak PE Tech, LLC, Kodak LB Tech, LLC, Kodak Realty, Inc., Kodakit Singapore Pte. Limited and KP Services (Jersey) Ltd. This action allowed the Company to better position assets which may be monetized in the future and address costs related to underutilized properties. Collectively, these subsidiaries had sales of approximately \$3 million and \$5 million for the quarter and six months ended June 30, 2018, respectively, which represents 1% of Kodak's consolidated sales for both periods. Collectively, these subsidiaries had assets of \$23 million as of June 30, 2018, which represents 1% of Kodak's consolidated assets as of June 30, 2018. The designation of these subsidiaries as Unrestricted Subsidiaries increased the amount by which the Company's EBITDA, as calculated under the Term Credit Agreement and the Amended Credit Agreement, exceeded the amount of EBITDA needed to satisfy the Net Secured Leverage Ratio covenant of 2.75 to 1.0 by \$22 million and the Fixed Charge Coverage Ratio of 1.0 to 1.0 by \$23 million in June 2018. Each of the capitalized but undefined terms has the meaning ascribed to such term in the Credit Agreements.

Kodak intends to conduct its operations in a manner that will result in continued compliance with the Secured Leverage Ratio covenant; however, compliance for future quarters may depend on Kodak undertaking one or more non-operational transactions, such as the repatriation of cash into the U.S., the management of operating cash outflows, the designation of additional subsidiaries as Unrestricted Subsidiaries, a monetization of assets, a debt refinancing, the raising of equity capital, or a similar transaction. If Kodak is unable to remain in compliance and does not make alternate arrangements with its term lenders, an event of default would occur under Kodak's credit agreements which, among other remedies, would entitle the lenders or their agents to declare the outstanding obligations under the Term Credit Agreement to be immediately due and payable.

Kodak made net contributions (funded plans) or paid benefits (unfunded plans) totaling approximately \$6 million to its defined benefit pension and postretirement benefit plans in the first six months of 2018. For the balance of 2018, the forecasted contribution (funded plans) and benefit payment (unfunded plans) requirements for its pension and postretirement plans are approximately \$15 million.

Cash flow from investing activities included \$17 million of capital expenditures for the six months ended June 30, 2018. Kodak expects approximately \$25 million to \$35 million of total capital expenditures for 2018.

Kodak is expanding its manufacturing facility in Weatherford, Oklahoma to provide additional production capacity for FLEXCEL NX Plates. The additional capacity will supplement Kodak's existing plate manufacturing facility in Yamanashi, Japan and is designed to meet increasing demand. The new production line is expected to be in full production by mid-2019 and will initially focus on supplying FLEXCEL NX Plates to customers in the United States, Canada and Latin America. Kodak invested approximately \$7 million in 2017 and approximately \$5 million in the first six months of 2018. The investment for the full year 2018 is expected to be approximately \$7 million and the total investment for the project is expected to be approximately \$14 million.

The loans made under the First Lien Term Credit Agreement become due on the earlier to occur of (i) the maturity date of September 3, 2019 or (ii) an acceleration of such loans following the occurrence of an event of default (as defined in the First Lien Term Credit Agreement). The Company also has issued approximately \$79 million and \$96 million of letters of credit under the Amended Credit Agreement as of June 30, 2018 and December 31, 2017, respectively. Should the Company not repay, refinance or extend the maturity of the loans under the existing First Lien Term Credit Agreement prior to June 5, 2019, the termination date will occur under the Amended Credit Agreement on such date unless the Amended Credit Agreement has been amended in the interim. Upon the occurrence of the termination date under the Amended Credit Agreement, the obligations thereunder will become due and the Company will need to provide alternate collateral in place of the letters of credit issued under the Amended Credit Agreement. Kodak has entered into a non-binding letter of intent with a counterparty which holds a significant principal amount of the loans under the First Lien Term Credit Agreement, which would provide for a complete refinancing of the loans under the First Lien Term Credit Agreement with a maturity date of 18 months from closing. In addition, Kodak has retained an investment banker in connection with, and is actively pursuing, a sale of its Flexographic Packaging segment. All net proceeds from any sale of its Flexographic Packaging segment will first be used to pay down outstanding debt under the First Lien Term Credit Agreement. However, the sale of the Flexographic Packaging segment and refinancing of the loans under the First Lien Term Credit Agreement are not solely within Kodak's control. Additionally, Kodak is facing liquidity challenges due to negative cash flow. Based on forecasted cash flows, there are uncertainties regarding Kodak's ability to meet commitments in the U.S. as they come due. Kodak's plans to improve cash flow include reducing interest expense by decreasing the debt balance using proceeds from asset sales; further restructuring Kodak's cost structure and paring investment in new technology by eliminating, slowing, and partnering with investors in product development programs. Kodak is also exploring options regarding additional liquidity from other sources. Kodak makes no assurances regarding the likelihood, certainty or timing of consummating a sale of the Flexographic Packaging segment or refinancing of the Company's debt or regarding the sufficiency of any such actions to meet Kodak's debt obligations, including compliance with debt covenants, or other commitments in the U.S. as they come due.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Kodak, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates, commodity prices, and interest rates, which may adversely affect its results of operations and financial position. In seeking to minimize the risks associated with such activities, Kodak may enter into derivative contracts. Kodak does not utilize financial instruments for trading or other speculative purposes. Foreign currency forward contracts are used to hedge existing foreign currency denominated assets and liabilities, especially those of Kodak's International Treasury Center, as well as forecasted foreign currency denominated inter-company sales. Kodak's exposure to changes in interest rates results from its investing and borrowing activities used to meet its liquidity needs. Long-term debt is generally used to finance long-term investments, while short-term debt is used to meet working capital requirements.

Using a sensitivity analysis based on estimated fair value of open foreign currency forward contracts using available forward rates, if the U.S. dollar had been 10% stronger at June 30, 2018 and December 31, 2017, the fair value of open forward contracts would have decreased by \$13 million and \$21 million, respectively. Such changes in fair value would be substantially offset by the revaluation or settlement of the underlying positions hedged.

Kodak is exposed to interest rate risk primarily through its borrowing activities. Kodak may utilize borrowings to fund its working capital and investment needs. The majority of short-term and long-term borrowings are in variable rate instruments. There is inherent roll-over risk for borrowings and marketable securities as they mature and are renewed at current market rates. The extent of this risk is not predictable because of the variability of future interest rates and business financing requirements.

Kodak's Senior Secured First Lien Term Credit Agreement and Amended Credit Agreement are in variable-rate instruments, the Senior Secured First Lien Term Credit Agreement with an interest rate floor. At June 30, 2018 the three-month LIBOR rate was approximately 2.34%. At December 31, 2017 the one-month LIBOR rate was approximately 1.56%. When LIBOR rates rise above the 1% floor, interest expense increases approximately \$4 million per annum for each 1% of LIBOR above the floor (\$395 million face amount of debt times 1% at June 30, 2018).

Kodak's financial instrument counterparties are high-quality investment or commercial banks with significant experience with such instruments. Kodak manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. Kodak has procedures to monitor the credit exposure amounts. The maximum credit exposure at June 30, 2018 was not significant to Kodak.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

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

##### **Changes in Internal Control over Financial Reporting**

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

## Part II. Other Information

### Item 1. Legal Proceedings

Kodak's Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes in various stages of litigation, as well as civil litigation and disputes associated with former employees and contract labor. The tax matters, which comprise the majority of the litigation matters, are primarily related to federal and state value-added taxes and income taxes. Kodak's Brazilian operations are disputing these matters and intend to vigorously defend their position. Kodak routinely assesses these matters as to the probability of ultimately incurring a liability in its Brazilian operations and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of June 30, 2018, Kodak maintained accruals of approximately \$10 million for claims aggregating approximately \$180 million inclusive of interest and penalties where appropriate. In connection with assessments and litigation in Brazil, local regulations may require Kodak to post security for a portion of the amounts in dispute. Generally, any encumbrances of the Brazilian assets would be removed to the extent the matter is resolved in Kodak's favor.

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

### Item 1A. Risk Factors

Kodak operates in rapidly changing economic and technological environments which present numerous risks, many of which are driven by factors it cannot control or predict. Certain factors may have a material adverse effect on its business, financial condition, and results of operations. You should consider carefully the risks and uncertainties described below in addition to other information contained in this Quarterly Report on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section and the consolidated financial statements and related notes, and the information in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2018. The following discussion of "risk factors" identifies Kodak's assessment of the most significant factors which may adversely affect its business, operations, financial position or future financial performance. Additional risks and uncertainties Kodak is unaware of, or currently believes are not material, may also become important factors which could adversely affect its business, operations, financial position or future financial performance.

#### Risks Related to Kodak's Business

***If Kodak is not able to successfully implement its business plans, or experiences implementation delays in cost structure reduction, Kodak's consolidated results of operations, financial position and liquidity could be negatively affected.***

Kodak's business plans are subject to a number of assumptions, projections, and analysis. If these assumptions prove to be incorrect, Kodak may be unsuccessful in executing its business plans or achieving the projected results, which could adversely impact its financial results and liquidity. In addition, Kodak continues to rationalize its workforce and streamline operations to a leaner and more focused organization aligned with its business initiatives. There are no assurances such measures will prove to be successful or the cost savings or other results it achieves through these plans will be consistent with its expectations. As a result, its results of operations, financial position and liquidity could be negatively impacted. If restructuring plans are not effectively managed, it may experience lost customer sales, product delays, additional costs and other unanticipated effects, causing harm to its business and customer relationships. Finally, the timing and implementation of these plans require compliance with numerous laws and regulations, including local labor laws, and the failure to comply with such requirements may result in damages, fines and penalties which could adversely affect Kodak's business.

***The ability to generate positive operating cash flows will be necessary for Kodak to continue to operate its business.***

Kodak has not generated positive operating cash flows over the past four years and, based on forecasted cash flows, there are uncertainties regarding its ability to meet commitments in the U.S. as they come due. The Print Systems segment is its largest segment and has had declining revenues and segment earnings which are expected to continue to decline. Kodak's stable and growth businesses may not grow or continue to generate the same or enough cash flow to offset businesses with declining cash flows. Kodak may be unable to generate positive cash flow from operations in the future, which would have a material adverse effect on its liquidity and financial position. If Kodak is unable to generate positive cash flow from operations or to adequately supplement such cash flow from operations with proceeds from the sale of businesses or assets or other monetization transactions, its ability to continue as a going concern could be impaired.

***Continued investment, capital needs, restructuring payments, dividends and servicing the Company's debt require a significant amount of cash and it may not be able to generate sufficient cash to fund these activities, which could adversely affect its business, operating results and financial condition.***

Kodak's business may not generate cash flow in an amount sufficient to enable it to pay the principal or mandatory redemption price of, or interest and dividends on its indebtedness and Series A Preferred Stock, or to fund Kodak's other liquidity needs, including working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances, restructuring actions and other general corporate requirements.

Kodak's ability to generate cash is subject to general economic, financial, competitive, litigation, regulatory and other factors beyond its control. There are no assurances:

- Kodak's businesses will generate sufficient cash flow from operations;
- Kodak will be able to generate expected levels of operational EBITDA;
- Kodak will be able to repatriate or move cash to locations where and when it is needed;
- the Company will meet all the conditions associated with making borrowings or issuing letters of credit under the ABL Credit Agreement;
- Kodak will realize cost savings, earnings growth and operating improvements resulting from the execution of its business and restructuring plan;
- Kodak will not have to expend cash defending lawsuits regardless of the merits of any claims raised; or
- Future sources of funding will be available in amounts sufficient to enable funding of its liquidity needs.

If Kodak cannot fund its liquidity needs, it will have to take actions, such as reducing or delaying capital expenditures, product development efforts, strategic acquisitions, and investments and alliances; selling additional assets; restructuring or refinancing the Company's debt; or seeking additional equity capital. Such actions could increase the Company's debt, negatively impact customer confidence in its ability to provide products and services, reduce its ability to raise additional capital and delay sustained profitability. There are no assurances any of these actions could, if necessary, be taken on commercially reasonable terms, or at all, or they would satisfy Kodak's liquidity needs. In addition, if it were to incur additional debt, the risks associated with the Company's substantial leverage, including the risk it will be unable to service its debt, generate cash flow sufficient to fund its liquidity needs, or maintain compliance with the covenants in the Credit Agreements, could significantly increase.

***Kodak's inability to effectively complete and manage strategic transactions could adversely impact its business performance, including its financial results.***

As part of Kodak's strategy, it may be engaged in discussions with third parties regarding possible divestitures, asset sales, spin-offs, investments, acquisitions, strategic alliances, joint ventures, and outsourcing transactions and may enter into agreements relating to such transactions in order to further its business objectives. In order to successfully pursue its strategic transaction strategy, it must identify suitable buyers, sellers and partners and successfully complete transactions, some of which may be large and complex, and manage post-closing issues such as the elimination of any remaining post-sale costs related to divested businesses. Transaction risk can be more pronounced for larger and more complicated transactions or when multiple transactions are pursued simultaneously. There are no assurances Kodak will be able to consummate any strategic transactions which it undertakes or, if consummated, Kodak will achieve the benefits sought to be achieved from such strategic transactions. If Kodak fails to identify and successfully complete transactions that further its strategic objectives, it may be required to expend resources to develop products and technology internally, it may be at a competitive disadvantage or it may be adversely affected by negative market perceptions. Any of these factors could have an adverse effect on its revenue, gross margins and profitability. In addition, unpredictability surrounding the timing of such transactions could adversely affect its financial results.

***If Kodak is unable to successfully develop, fund and commercialize products in certain businesses upon which it is focused, its financial performance could be adversely affected.***

Kodak has focused its investments on imaging and printing for business, specifically, commercial inkjet, packaging, advanced materials and 3D printing, and software and services. Each of these businesses requires additional investment and may not be successful. The introduction of successful innovative products at market competitive prices and the achievement of scale are necessary for it to grow these businesses, improve margins and achieve its financial objectives. Additionally, its strategy is based on a number of factors and assumptions, some of which are not within its control, such as the actions of third parties. There can be no assurance that it will be able to successfully execute all or any elements of its strategy, or that its ability to successfully execute its strategy will be unaffected by external factors. If it is unsuccessful in growing Kodak's investment businesses as planned, or perceiving the needs of its target customers, its financial performance could be adversely affected.

***Kodak may pursue acquisitions or combinations which could fail or present unanticipated problems for its business in the future, which would adversely affect its ability to realize the anticipated benefits of those transactions or increase the price it would be required to pay.***

Kodak may seek to enter into transactions which may include acquiring or combining with other businesses. It may not be able to identify suitable acquisition or combination opportunities or finance and complete any particular acquisition or combination successfully. Furthermore, acquisitions and combinations involve a number of risks and challenges, including:

- the ability to obtain required regulatory and other approvals;
- the need to integrate acquired or combined operations with its business;
- potential loss of key employees;
- difficulty in evaluating operating costs, infrastructure requirements, environmental and other liabilities and other factors beyond its control;
- potential lack of operating experience in new business or geographic areas;
- an increase in its expenses and working capital requirements;
- management's attention may be temporarily diverted; and
- the possibility it may be required to issue a substantial amount of additional equity or debt securities or assume additional debt in connection with any such transactions.

Any of these factors could adversely affect its ability to achieve anticipated levels of cash flows or realize synergies or other anticipated benefits from a strategic transaction. Furthermore, the market for transactions is highly competitive, which may adversely affect its ability to find transactions which fit its strategic objectives or increase the price it would be required to pay (which could decrease the benefit of the transaction or hinder its desire or ability to consummate the transaction). Strategic transactions may occur at any time and may be significant in size relative to its assets and operations.

***Due to the nature of the products it sells and Kodak's worldwide distribution, it is subject to changes in currency exchange rates, interest rates and commodity costs which may adversely impact its results of operations and financial position.***

As a result of Kodak's global operating and financing activities, it is exposed to changes in currency exchange rates and interest rates, which may adversely affect its results of operations and financial position. Exchange rates and interest rates in markets in which it does business tend to be volatile and, at times, its sales and profitability can be negatively impacted across all its segments depending upon the value of the U.S. dollar and other major currencies such as the euro, the Japanese yen, the British pound and the Chinese yuan. In addition, Kodak's products contain aluminum, silver, petroleum based or other commodity based raw materials, the prices of which have been, and may continue to be, volatile. In the case of aluminum, recently imposed tariffs may give rise to future cost increases. If the global economic situation remains uncertain or worsens, there could be further volatility in changes in currency exchange rates, interest rates and commodity prices, which could have negative effects on its revenue and earnings.

***Weakness or worsening of global economic conditions could adversely affect Kodak's financial performance and liquidity.***

The global economic environment may adversely affect sales of Kodak's products, profitability and liquidity. Global financial markets have been experiencing volatility. Economic conditions could accelerate any decline in demand for products, which could also place pressure on its results of operations and liquidity. There is no guarantee that anticipated economic growth levels in markets which have experienced some economic strength will continue in the future, or Kodak will succeed in expanding sales in these markets. In addition, accounts receivable and past due accounts could increase due to a decline in its customers' ability to pay as a result of an economic downturn, and its liquidity, including its ability to use credit lines, could be negatively impacted by failures of financial instrument counterparties, including banks and other financial institutions. If global economic weakness and tightness in the credit markets exist, worsen or are attenuated, Kodak's profitability and related cash generation capability could be adversely affected and, therefore, affect its ability to meet its anticipated cash needs, impair its liquidity or increase its costs of borrowing.

***If Kodak is unable to successfully develop or commercialize new products, its business, financial position and operating results may suffer.***

Kodak generally sells its products in industries which are characterized by rapid technological changes, frequent new product and service introductions and changing industry standards. Without the timely introduction of new products, services and enhancements, its products and services will become technologically obsolete over time, in which case its revenue and operating results would suffer. Therefore, its future results of operations will depend to a significant extent upon its ability to successfully commercialize new products in a timely manner. The success of its new products and services will depend on several factors, including its ability to:

- identify customer needs;
- innovate and develop new technologies, services, and applications;
- commercialize new technologies in a timely manner;
- manufacture and deliver its products in sufficient volumes and on time;
- differentiate its offerings from its competitors' offerings;
- price its products and services competitively;
- anticipate its competitors' development of new products, services or technological innovations;
- work successfully alongside its partners; and
- control product quality in its manufacturing processes.

As a result of these and other factors, products currently in development by Kodak (for example, UltraStream technology, small particle technology and Ultra NX) may or may not be successfully commercialized in a timely manner, or at all. If any of its key products cannot be successfully or timely commercialized, its operating results could be adversely affected. Moreover, it cannot guarantee any investment made in developing products will be recouped, even if it is successful in commercializing those products, which could have a material adverse effect on its business, financial position and operating results.

***If Kodak's commercialization and manufacturing processes fail to prevent issues with product reliability, yield and quality, its product launch plans may be delayed, its financial results may be adversely impacted, and its reputation may be harmed.***

In developing, commercializing and manufacturing Kodak's products and services it must adequately address reliability and prevent yield and other quality issues, including defects in its engineering, design and manufacturing processes, as well as defects in third-party components included in its products. Because Kodak's products are sophisticated and complicated to develop and commercialize with rapid advances in technologies, the occurrence of defects may increase, particularly with the introduction of new product lines. Unanticipated issues with product performance may delay product launch plans which could result in additional expenses, lost revenue and earnings. Although it has established internal procedures to minimize risks which may arise from product quality issues, there can be no assurance it will be able to eliminate or mitigate occurrences of these issues and associated liabilities. Product reliability, yield and quality issues can impair its relationships with new or existing customers and adversely affect its brand image; product quality issues can result in recalls, warranty, or other service obligations and litigation, and its reputation as a producer of high quality products could suffer, which could adversely affect its business as well as its financial results.

***If the reputation of Kodak or its brand erodes significantly, it could have a material impact on its financial results.***

Kodak's reputation, and the reputation of its brand, form the foundation of its relationships with key stakeholders and other constituencies, including customers, suppliers and consumers. The quality and safety of Kodak's products are critical to its business. Kodak's products have worldwide recognition, and its financial success is directly dependent on the success of its product offering. One aspect of Kodak's business is licensing others to use Kodak's brand in connection with the sale of such licensees' products and services, and activities by such licensees may be perceived by the market as being activities of Kodak. The success of Kodak's brand can suffer if it's or its licensees' marketing plans, product initiatives or activities do not have the desired impact on the brand's image or ability to attract customers. Kodak's results could also be negatively impacted if its brand suffers substantial harm to its reputation due to significant product reliability and quality issues, and product-related litigation. Additionally, negative or inaccurate postings or comments on social media or networking websites about Kodak, its licensees or its brand could generate adverse publicity which could damage the reputation of the brand. Kodak also devotes significant time and resources to programs consistent with its corporate values and commitments that are designed to protect and preserve its reputation, such as social responsibility and environmental sustainability. If these programs are not executed as planned or suffer negative publicity, Kodak's reputation and financial results could be adversely impacted.

***The competitive pressures it faces could harm Kodak's revenue, gross margins, cash flow and market share.***

The markets in which Kodak does business are highly competitive with large, entrenched, and well financed industry participants, many of which are larger than Kodak. In addition, it encounters aggressive price competition for many of its products and services from numerous companies globally. Any of its competitors may:

- foresee the course of market developments more accurately than it does;
- sell superior products and provide superior services or offer a broader variety of products and services;
- have the ability to produce or supply similar products and services at a lower cost;
- have better access to supplies and the ability to acquire supplies at a lower cost;
- develop stronger relationships with its suppliers or customers;
- adapt more quickly to new technologies or evolving customer requirements than it does; or
- have access to capital markets or other financing sources on more favorable terms than it can obtain.

As a result, Kodak may not be able to compete successfully with its competitors. Finally, it may not be able to maintain its operating costs or prices at levels which would allow it to compete effectively. Kodak's results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures. If its products, services and pricing are not sufficiently competitive with current and future competitors, it could also lose market share, adversely affecting its revenue, gross margins and cash flow.

***An inability to provide competitive financing arrangements to Kodak's customers or extension of credit to customers whose creditworthiness deteriorates could adversely impact its revenue, profitability and financial position.***

The competitive environment in which Kodak operates may require it to facilitate or provide financing to its customers. Customer financing arrangements may cover all or a portion of the purchase price for its products and services. It may also assist customers in obtaining financing from banks and other sources. Its success may be dependent, in part, upon its ability to provide customer financing on competitive terms and on its customers' creditworthiness. Tightening of credit in the global financial markets can adversely affect the ability of Kodak's customers to obtain financing for significant purchases, which may result in a decrease in, or cancellation of, orders for its products and services. If Kodak is unable to provide competitive financing solutions to its customers or if it extends credit to customers whose creditworthiness deteriorates, its revenues, profitability and financial position could be adversely impacted.

***If Kodak cannot attract, retain and motivate key management and other key employees, its revenue and earnings could be harmed.***

In order for it to be successful, Kodak must continue to attract, retain and motivate executives and other key employees, including technical, managerial, marketing, sales, research and support positions. Hiring and retaining qualified executives, research and engineering professionals, and qualified sales representatives, particularly in Kodak's targeted growth markets, are critical to its future. It may be unable to attract and retain highly qualified management and employees, particularly if it does not offer employment terms competitive with the rest of the market. Failure to attract and retain qualified individuals, key leaders, executives and employees, or failure to develop and implement a viable succession plan, could result in inadequate depth of institutional knowledge or skill sets, which could adversely affect its business.

***If Kodak cannot effectively anticipate technology trends and develop and market new products to respond to changing customer preferences, its revenue, earnings and cash flow could be adversely affected.***

Kodak serves imaging needs for business markets, including packaging, graphic communications, enterprise services, and printed electronics. Its success in these markets depends on its ability to offer differentiated solutions and technologies to capture market share and grow scale. To enable this, it must continually develop and introduce new products and services in a timely manner to keep pace with technological developments and achieve customer acceptance. In addition, the services and products it provides to customers may not or may no longer meet the needs of its customers as the business models of its customers evolve. Its customers may decide to outsource their imaging needs or may purchase imaging services and needs from other suppliers. In addition, it is difficult to predict successfully the products and services its customers will demand. The success of Kodak's business depends in part on its ability to identify and respond promptly to changes in customer preferences, expectations and needs. If it does not timely assess and respond to changing customer expectations, preferences and needs, its financial condition, results of operations or cash flows could be adversely affected.

If Kodak is unable to timely anticipate new technology trends, develop improvements to its current technology to address changing customer preferences, and effectively communicate its businesses, products, and the markets it serves, its revenue, earnings and cash flow could be adversely affected. The success of Kodak's technology development efforts may be affected by the development efforts of its competitors, which may have more financial and other resources to better ascertain technology trends, changing customer preferences, and changing business expectations or models. Kodak's assessment and response may as a result be incomplete or inferior when compared to its competitors, which could adversely affect its product roadmaps and associated revenue streams.

Kodak has reduced the scope of its corporate-focused research and development activities. If its investment in research and product development is inadequate, its response to changing customer needs and changing market dynamics may be too slow and this may adversely affect revenue streams from new products and services.

***Kodak makes sizeable investments in new products and services that may not achieve expected returns.***

Commercial success depends on many factors, including innovativeness, developer support, and effective distribution and marketing. If customers do not perceive Kodak's latest offerings as providing significant new functionality or other value, they may reduce their purchases of new products or upgrades, unfavorably affecting revenue. Kodak may not achieve significant revenue from new product, service, and distribution channel investments for several years, if at all. New products and services may not be profitable, and even if they are profitable, operating margins for some new products and businesses may not be as high as the margins Kodak has experienced historically. Developing new technologies is complex. It can require long development and testing periods. Significant delays in new releases or significant problems in creating new products or services could adversely affect Kodak's revenue.

***Kodak relies on third-party suppliers and service providers to support its manufacturing, logistics, and business operations and faces the risks associated with reliance on external business partners.***

Kodak relies on third-party suppliers for goods and services to support its manufacturing, logistics, and business operations. To the extent it relies on third-parties, it faces the risks that those third parties may not be able to:

- develop manufacturing methods appropriate to Kodak's products;
- maintain an adequate control environment;



- quickly respond to changes in customer demand for Kodak's products;
- obtain supplies and materials necessary for the manufacturing process; or
- mitigate the impact of labor shortages and/or other disruptions.

Further, even if Kodak honors its payment and other obligations to its key suppliers of products, components and services, such suppliers may choose to unilaterally withhold products, components or services, or demand changes in payment terms. In addition, it may experience shortages in supply and disruptions in service as a result of unexpected demand, transportation and logistical limitations, and/or disruptions or production difficulties at its suppliers, such as disruptions due to fires, other natural disasters or events outside of a supplier's control. In addition, disruptions could result from a reduction in the number of its suppliers due to their own financial difficulties or a reduction in the products offered by such suppliers. As a result of the loss of any supplier, or a substantial decrease in the availability of products from its suppliers, Kodak may be unable to meet its customer commitments, its costs could be higher than planned, and its cash flows and the reliability of its products could be negatively impacted. Kodak will vigorously enforce its contractual rights under such circumstances, but there is no guarantee it will be successful in preventing or mitigating the effects of unilateral actions by its suppliers. Other supplier problems that Kodak could encounter include electronic component shortages, excess supply, risks related to the duration and termination of its contracts with suppliers for components and materials and risks related to the ability to obtain products, components or services from single source suppliers on favorable terms or at all. The realization of any of these risks, should alternative third-party relationships not be established, could cause interruptions in supply or increases in costs which might result in Kodak's inability to meet customer demand for its products, damage to its relationships with its customers, and reduced market share, all of which could adversely affect its results of operations and financial condition.

***Business disruptions could seriously harm Kodak's future revenue and financial condition and increase its costs and expenses.***

Worldwide operations could be subject to earthquakes, power shortages, telecommunications failures, cyber-attacks, terrorism and other physical security threats, water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics, political or economic instability, and other natural or manmade disasters or business interruptions, for which Kodak is predominantly self-insured. The occurrence of any of these business disruptions could seriously harm its revenue and financial condition and increase its costs and expenses. In addition, some areas, including parts of the east and west coasts of the United States, have previously experienced, and may experience in the future, major power shortages and blackouts. These blackouts could cause disruptions to its operations or the operations of its suppliers, distributors and resellers, or customers. It has operations including research and development facilities in geographically disparate locations, such as Israel, Japan, China, Canada and Germany. The impact of these risks is greater in areas where products are manufactured at a sole or limited number of location(s), and where the sourcing of materials is limited to a sole or limited base of suppliers, since any material interruption in operations in such locations or suppliers could impact Kodak's ability to provide a particular product or service for a period of time.

***Cyber-attacks or disruptions to our information technology (IT) environment could impact revenue, operations, cost, and competitiveness.***

To effectively manage our global business, we depend on secure and reliable information technology systems with accurate data. These systems and their underlying infrastructure are provided by a combination of Kodak and third-parties, and if unavailable or unreliable, could disrupt our operations, causing delays or cancellation of customer orders, impeding the manufacturing or delivery of products, delaying the reporting of financial results, or impacting other business processes critical to running our business.

Our IT systems contain critical information about our business, including intellectual property and confidential information of our customers, business partners, and employees. Cyber-attacks or defects in our systems could result in this proprietary information being disclosed or modified, which could cause significant damage to our business or our reputation. We have system controls and security measures in place that are designed to protect our IT systems against intentional or unintentional disruptions of our operations or disclosure of confidential information, but we may not be able to implement solutions that result in stopping or detecting all of these threats to our internal information systems or those of our third-party providers. A breach of our security measures could result in unauthorized access to and misuse of our information, corruption of data, or disruption of operations, any of which could have a material adverse impact on our business.

We also provide IT-based products and services to our customers, both businesses and consumers, and a breach of our security or reliability measures, or those of our third-party service providers, could negatively impact our customers' operations or data privacy.

***Improper disclosure of personal data could result in liability and harm Kodak's reputation.***

Kodak receives, processes, transmits and stores information relating to identifiable individuals (personal information), both in its role as a technology provider and as an employer. As a result, Kodak is subject to numerous U.S. federal and state and foreign laws and regulations relating to personal information. These laws have been subject to frequent changes, and new legislation in this area may be enacted at any time. In Europe, the General Data Protection Regulation ("GDPR") will become effective on May 25, 2018 for all European Union ("EU") member states. The GDPR will include operational requirements for companies receiving or processing personal data of EU residents that are partially different from those currently in place and will include significant penalties for non-compliance. This change, as well as any other change to existing laws, the introduction of new laws in this area, or the failure to comply with existing laws that are applicable, may subject Kodak to, among other things, additional costs or changes to its business practices, liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on its ability to obtain and process information and allegations by its customers and clients that it has not performed its contractual obligations. At the same time, the risk of cyber-attacks is relevant to the requirements regarding storage, transfer, sharing and handling of personal information. This environment demands Kodak continuously improve its design and coordination of security controls and contractual arrangements across its businesses and

geographies. Despite these efforts, it is possible its security controls over personal data, its training of employees and vendors on data privacy and data security, and other practices it follows may not prevent the improper disclosure of personal information. Improper disclosure of this information could harm its reputation or subject it to liability under laws which protect personal data, resulting in increased costs or loss of revenue.

***If Kodak cannot protect the intellectual property rights on which its business depends, or if third parties assert it violates their intellectual property rights, its revenue, earnings, expenses and liquidity may be adversely impacted.***

A key differentiator for Kodak in many of its businesses is its technological advantage over competitors' products and solutions. Its technological advantage is supported by Kodak's intellectual property rights. Patent, copyright, trademark and trade secret laws in the United States and similar laws in other countries, and non-disclosure, confidentiality and other types of agreements with Kodak's employees, customers, suppliers and other parties, may not be effective in establishing, maintaining, protecting and enforcing Kodak's intellectual property rights. Any of Kodak's direct or indirect intellectual property rights could be challenged, invalidated, circumvented, infringed, diluted, disclosed or misappropriated, or such intellectual property rights may not be sufficient to permit it to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly product redesign efforts, discontinuance of certain product offerings or other competitive harm. Further, the laws of certain countries do not protect proprietary rights to the same degree as the laws of the United States. Therefore, in certain jurisdictions, Kodak may be unable to protect its proprietary technology adequately against unauthorized third party copying, infringement or use, which could adversely affect its competitive position. Also, much of Kodak's business and many of its products rely on key technologies developed or licensed by third parties and, because of the rapid pace of technological change in the information technology industry, it may not be able to obtain or continue to obtain licenses and technologies from relevant third parties on reasonable terms, or at all.

Kodak also licenses third parties to use its trademarks. In an effort to preserve its trademark rights, Kodak enters into license agreements with these third parties which govern the use of its trademarks and require its licensees to abide by quality control standards with respect to the goods and services they provide under the trademarks. Although Kodak makes efforts to police the use of its trademarks by its licensees, there can be no assurance these efforts will be sufficient to ensure the licensees abide by the terms of their licenses. In the event Kodak's licensees fail to do so, its trademark rights could be diluted and its reputation harmed by its licensees' activities. Also, failure by Kodak and its licensees to sufficiently exploit any of Kodak's trademarks in any markets could erode Kodak's trademark rights with respect to the relevant trademarks. Because the laws and enforcement regimes of certain countries do not protect proprietary rights to the same degree as those in the United States, in certain jurisdictions Kodak may be unable to adequately prevent such unauthorized uses, which could result in impairment of its trademark rights.

Kodak has made substantial investments in new, proprietary technologies and has filed patent applications and obtained patents to protect its intellectual property rights in these technologies as well as the interests of its licensees. There can be no assurance Kodak's patent applications will be approved, any patents issued will be of sufficient scope or strength to provide it with meaningful protection, or such patents will not be challenged by third parties. Furthermore, Kodak may fail to accurately predict all of the countries where patent protection will ultimately be desirable, and if it fails to timely file a patent application in any such country, it may be precluded from doing so at a later date. The patents issued may vary in scope of coverage depending on the country in which such patents issue.

In addition, the intellectual property rights of others could inhibit Kodak's ability to conduct its business. Other companies may hold patents on technologies used in Kodak's industries and some of these companies are aggressively seeking to expand, enforce or license their patent portfolios. Third parties may claim Kodak and its customers, licensees or other parties indemnified by it are infringing upon their intellectual property rights. Such claims may be made by competitors seeking to block or limit Kodak's access to certain markets. Additionally, in recent years, individuals and groups have begun purchasing intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from large companies like Kodak. Even if it believes the claims are without merit, these claims may have the following negative impacts on its business:

- claims can be time consuming and costly to defend and may distract management's attention and resources;
- claims of intellectual property infringement may require it to redesign affected products, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting it from marketing or selling certain of its products;
- even if it has an agreement with a third party to indemnify it against such costs, the indemnifying party may be unable to uphold such party's contractual obligations; and
- if it cannot or does not license the infringed technology at all, license the technology on reasonable terms or substitute similar technology from another source, its revenue and earnings could be adversely impacted.

Finally, Kodak uses open source software in connection with its products and services. Companies which incorporate open source software into their products have, from time to time, faced claims challenging the ownership of open source software and/or compliance with open source license terms. As a result, Kodak could be subject to suits by parties claiming ownership of what it believes to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose Kodak's source code or pay damages for breach of contract could be harmful to its business results of operations and financial condition.

***Kodak's future pension and other postretirement benefit plan costs and required level of contributions could be unfavorably impacted by changes in actuarial assumptions, market performance of plan assets and obligations imposed by legislation or pension authorities which could adversely affect its financial position, results of operations, and cash flow.***

Kodak has significant defined benefit pension and other postretirement benefit obligations. The funded status of its U.S. and non-U.S. defined benefit pension plans (and other postretirement benefit plans), and the related cost reflected in its financial statements, are affected by various factors subject to an inherent degree of uncertainty. Key assumptions used to value these benefit obligations, funded status and expense recognition include the discount rate for future payment obligations, the long term expected rate of return on plan assets, salary growth, healthcare cost trend rates, mortality trends, and other economic and demographic factors. Significant differences in actual experience, or significant changes in future assumptions or obligations imposed by legislation or pension authorities, could lead to a potential future need to contribute cash or assets to Kodak's plans in excess of currently estimated contributions and benefit payments and could have an adverse effect on Kodak's consolidated results of operations, financial position or liquidity.

In past years, Kodak has experienced increases in the costs of these defined benefit pension and postretirement benefit obligations as a result of macro-economic factors beyond its control, including increases in health care costs, declines in investment returns on pension plan assets, and changes in discount rates and mortality rates used to calculate pension and related liabilities. At least some of these macro-economic factors may again put pressure on the cost of providing pension and medical benefits. There can be no assurance it will succeed in limiting cost increases. In addition, continued upward pressure, including any as a result of new legislation, could reduce the profitability of its businesses.

***Kodak may be required to recognize impairments in the value of its goodwill and/or other long-lived assets which could adversely affect its results of operations.***

Upon emergence from bankruptcy, Kodak applied fresh start accounting pursuant to which the reorganization value was allocated to the individual assets and liabilities based on their estimated fair values. The excess reorganization value over the fair value of identified tangible and intangible assets is reported as goodwill. In connection with fresh start, Kodak also fair valued its other long-lived assets, including intangible assets. The determination of reorganization value, equity value of the Company's common stock and fair value of assets and liabilities is dependent on various estimates and assumptions, including financial projections and the realization of certain events. Kodak tests goodwill and indefinite lived intangible assets for impairment annually or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Kodak evaluates other long-lived assets for impairments whenever events or changes in circumstances indicate the carrying value may not be recoverable. Impairments could occur in the future if Kodak's expected future cash flows decline, market or interest rate environments deteriorate, or if carrying values change materially compared with changes in their respective fair values.

***Kodak's businesses experience seasonality of sales. Therefore, lower demand for Kodak's products or increases in costs during periods which are expected to be at peak in seasonality may have a pronounced negative effect on its results of operations.***

Equipment and consumables sales generally exhibit higher levels in the fourth quarter due to the seasonal nature of placements, resulting from customer or industry budgeting practices. As a result, a sequential quarter-to-quarter comparison is not a good indication of Kodak's performance or how it will perform in the future. In addition, adverse developments during what are expected to be peak periods in seasonality, such as lower-than-anticipated demand for its products, an internal systems failure, increases in materials costs, or failure of or performance problems with one of its key logistics, components supply, or manufacturing partners, could have a material adverse impact on its financial condition and operating results. Tight credit markets which limit capital investments or a weak economy which decreases print demand could negatively impact equipment or consumable sales. These external developments are often unpredictable and may have an adverse impact on its business and results of operations.

***If Kodak fails to manage distribution of its products and services properly, its revenue, gross margins and earnings could be adversely impacted.***

Kodak uses a variety of different distribution methods to sell and deliver its products and services, including third-party resellers and distributors and direct and indirect sales to both enterprise accounts and customers. Successfully managing the interaction of direct and indirect channels with various potential customer segments for its products and services is a complex process. Moreover, since each distribution method has distinct risks and costs, Kodak's failure to achieve the most advantageous balance in the delivery model for its products and services could adversely affect its revenue, gross margins and earnings. This has concentrated Kodak's credit and operational risk and could result in an adverse impact on its financial performance.

***Kodak's future results could be harmed if it is unsuccessful in its sales in emerging markets.***

Because Kodak is seeking to expand its sales and number of customer relationships outside the United States, including in emerging markets in Asia, Latin America and Eastern Europe, Kodak's business is subject to risks associated with doing business internationally, such as:

- support of multiple languages;
- recruitment of sales and technical support personnel with the skills to design, manufacture, sell and supply products;
- compliance with governmental regulation of imports and exports, including obtaining required import or export approval for its products;
- complexity of managing international operations;
- exposure to foreign currency exchange rate fluctuations;

- commercial laws and business practices which may favor local competition and the imposition of tariffs on its products or raw materials;
- multiple, potentially conflicting, and changing governmental laws, regulations and practices, including differing export, import, tax, anti-corruption, anti-dumping, economic sanction, labor, and employment laws;
- difficulties in collecting accounts receivable;
- limitations or restrictions on the repatriation of cash;
- limitations or reductions in protection of intellectual property rights;
- complications in logistics and distribution arrangements; and
- political or economic instability.

There can be no assurance Kodak will be able to market and sell its products in all of its targeted markets. If its efforts are not successful, its business growth and results of operations could be harmed. As a global company, Kodak is subject to regulatory requirements and laws in the jurisdictions in which it operates, and any alleged non-compliance with these requirements or laws could result in an adverse financial or reputational impact.

***Kodak is subject to environmental laws and regulations and failure to comply with such laws and regulations or liabilities imposed as a result of such laws and regulations could have an adverse effect on its business, results of operations and financial condition.***

Kodak is subject to environmental laws and regulations world-wide that govern, for example, the discharge of pollutants, the management of hazardous materials, the cleanup of contaminated sites, and the composition and end-of-life management of its products. Non-compliance with applicable laws or liability incurred without regard to fault could have a material adverse effect on its business, results of operations and financial condition. The cost of complying with such laws could have a material adverse effect on its business, results of operations and financial condition.

In addition, the Company, the New York State Department of Environmental Conservation and the New York Empire State Development Corporation have entered into a settlement agreement concerning certain of the Company's historical environmental liabilities at Eastman Business Park or from discharges to the Genesee River through the establishment of a \$49 million environmental remediation trust. Should historical liabilities exceed \$49 million, New York State is responsible for payments of cost up to an additional \$50 million. In the event the historical liabilities exceed \$99 million, the Company will become liable for 50% of the portion above \$99 million, which could have a material adverse effect on its financial condition. The settlement agreement was implemented on May 20, 2014. The settlement agreement includes a covenant not to sue from the U.S. Environmental Protection Agency. Any uncertainties related to the Company's environmental obligations may impact its ability to further develop and transform Eastman Business Park.

***Kodak may have additional tax liabilities.***

Kodak is subject to income taxes in the U.S. and in many foreign jurisdictions. Significant judgment is required in determining Kodak's worldwide provision for income taxes. In the course of its business, there are transactions and calculations where the ultimate tax determination is uncertain. For example, compliance with the Tax Cuts and Jobs Act ("2017 Tax Act") may require the collection of information not regularly produced within Kodak, the use of provisional estimates in its financial statements, and the exercise of significant judgment in accounting for its provisions. Many aspects of the 2017 Tax Act are unclear and may not be clarified for some time. As regulations and guidance evolve with respect to the 2017 Tax Act, and as Kodak gathers more information and performs more analysis, Kodak's results may differ from previous estimates and may materially affect our financial position.

Kodak operates within multiple taxing jurisdictions worldwide and is subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time for resolution. Management's ongoing assessments of the outcomes of these issues and related tax positions require judgment, and although management believes that adequate provisions have been made for such issues, there is the possibility that the ultimate resolution of such issues could have an adverse effect on the earnings and cash flow of Kodak.

***Kodak's business, financial position, results of operations, cash flows and reputation may be negatively impacted by legal matters.***

Kodak has various contingencies which are not reflected on its balance sheet, including those arising as a result of being involved from time to time in a variety of claims, lawsuits, investigations, remediations and proceedings concerning: commercial, tax, tort, customs, employment, health and safety and intellectual property matters, licensee activities, and compliance with various domestic and international laws and regulations. Should developments in any of these matters cause a change in its determination as to an unfavorable outcome and result in the need to recognize a material accrual or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on its business, financial position, results of operations, and cash flows.

***Regulations related to “conflict minerals” may require Kodak to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing Kodak’s products.***

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of minerals originating from the conflict zones of the Democratic Republic of Congo (“DRC”) and adjoining countries. As a result, in August 2012, the SEC adopted rules requiring disclosure related to sourcing of specified minerals, known as “conflict minerals,” which are necessary to the functionality or production of products manufactured or contracted to be manufactured by public companies. Kodak has designed its overall conflict minerals policies and procedures to be consistent with the guidance issued by the Organization for Economic Co-operation and Development (“OECD”), and continues to perform due diligence on its supply chain. Kodak filed its most recent Conflict Minerals Disclosure report for the reporting period from January 1, 2016 to December 31, 2016 on May 31, 2017. As of the date of the report, Kodak determined certain of its products contain such specified minerals, but was unable to determine whether or not such minerals originate from the DRC or an adjoining country. Kodak may incur additional costs to comply with these disclosure requirements, including costs related to determining the sources of the specified minerals used in its products, in addition to the cost of any changes to products, processes, or sources of supply as a consequence of such verification activities, which may adversely affect its business. In addition, the number of suppliers who provide “conflict-free” minerals may be limited, which may make it difficult to satisfy customers who require all of the components of its products be certified as conflict-free, which could place it at a competitive disadvantage if it is unable to do so. Because Kodak’s supply chain is complex, it may also not be able to sufficiently verify the origins of the relevant minerals used in its products through its due diligence procedures, which may harm its reputation.

***Risks Related to the Company’s Indebtedness and Access to Capital Markets***

***There can be no assurance the Company will be able to comply with the terms of its various credit facilities.***

A breach of any of the financial or other covenants contained in the Senior Secured First Lien Term Credit Agreement (the “First Lien Term Credit Agreement”) or the Asset Based Revolving Credit Agreement (the “ABL Credit Agreement” and, together with the First Lien Term Credit Agreement, the “Credit Agreements”) could result in an event of default under these facilities. If any event of default occurs and the Company is not able to either cure it or obtain a waiver from the requisite lenders under each of these facilities, the administrative agent of each credit facility may, and at the request of the requisite lenders for that facility must, declare all of the Company’s outstanding obligations under the applicable credit facility, together with accrued interest and fees, to be immediately due and payable and the agent under the ABL Credit Agreement may, and at the request of the requisite lenders must, terminate the lenders’ commitments under that facility and cease making further loans, and if applicable, each respective agent could institute foreclosure proceedings against the pledged assets. Any of these outcomes could adversely affect the Company’s operations and its ability to satisfy its obligations as they come due.

***The combination of covenant requirements in the First Lien Term Credit Agreement and Kodak’s on-going investment in growth businesses, and continuing softness and volatility of global economic conditions and foreign currency exchange rates, could make it difficult for the Company to satisfy the leverage covenants under the First Lien Term Credit Agreement on an on-going basis.***

The Company is obligated to comply with a number of financial and other covenants contained in the Credit Agreements. Kodak intends to conduct its operations in a manner which will result in continued compliance with the secured leverage ratio covenants under the First Lien Term Credit Agreement; however, compliance for future quarters may depend on Kodak undertaking one or more non-operational transactions, such as a monetization of assets, a debt refinancing, the raising of equity capital, or a similar transaction. If the Company is unable to remain in compliance and does not make alternate arrangements with its term lenders, an event of default would occur under the Credit Agreements which, among other remedies, would entitle the lenders or their agents to declare the outstanding obligations under the Credit Agreements to be immediately due and payable.

***Kodak’s access to the capital markets may be limited.***

Because of Kodak’s current non-investment grade credit ratings, and/or general conditions in the financial and credit markets, its access to the capital markets may be limited. Moreover, the urgency of a capital-raising transaction may require it to pursue additional capital at an inopportune time or unattractive cost. The loans made under the First Lien Term Credit Agreement become due on the earlier to occur of (i) the maturity date of September 3, 2019 or (ii) the acceleration of such loans following the occurrence of an event of default (as defined in the First Lien Term Credit Agreement). The Company has issued approximately \$79 million and \$96 million of letters of credit under the Amended Credit Agreement as of June 30, 2018 and December 31, 2017, respectively. Should the Company not repay, refinance or extend the maturity of the loans under the existing First Lien Term Credit Agreement prior to June 5, 2019, the termination date will occur under the Amended Credit Agreement on such date unless the Amended Credit Agreement has been previously amended. Upon the occurrence of the termination date under the Amended Credit Agreement, the obligations thereunder will become due and the Company will need to provide alternate collateral in place of the letters of credit issued under the Amended Credit Agreement.

Kodak’s ability to obtain capital and the costs of such capital are dependent on numerous factors, including:

- covenants in the Credit Agreements;
- obtaining a consent from the holders of Series A Preferred Stock for the issuance of additional preferred shares which rank senior or *pari passu* to the Series A Preferred Stock;

- investor confidence in Kodak and the markets in which it operates;
- its financial performance and the financial performance of its subsidiaries;
- its levels of debt and redemption obligations, including the mandatory redemption of the Series A Preferred Stock on November 15, 2021;
- its ability to enter into a definitive agreement for the sale of its Flexographic Packaging segment or other business units or assets or to consummate any such monetization transaction;
- its ability to generate positive cash flow;
- its requirements for posting collateral under various commercial agreements;
- its credit ratings;
- its cash flow;
- its long-term business prospects; and
- general economic and capital market conditions.

Kodak may not be successful in obtaining additional capital for these or other reasons. An inability to access capital may limit its ability to meet its operating needs and, as a result, may have a material adverse effect on its financial condition, results of operations and cash flows. In particular, Kodak does not have committed refinancing or the liquidity to meet the debt obligations under the First Lien Credit Agreement and Amended Credit Agreement if they were to become due in accordance with their current terms and there are no assurances Kodak will be able to amend, extend, refinance or repay the First Lien Credit Agreement or, as necessary, the Amended Credit Agreement before they become due. If Kodak is unable to amend, extend or refinance the First Lien Credit Agreement or Amended Credit Agreement before they become due, its ability to continue as a going concern could be impaired.

***The current non-investment grade status and Kodak's financial condition may adversely impact Kodak's commercial operations, increase its liquidity requirements and increase the cost of refinancing opportunities. It may not have adequate liquidity to post required amounts of additional collateral.***

The Company's corporate family credit rating is currently below investment grade and there are no assurances its credit ratings will improve, or they will not decline, in the future. Its credit ratings and financial condition may affect the evaluation of its creditworthiness by trading counterparties and lenders, which could put it at a disadvantage to competitors with higher or investment grade ratings.

In carrying out its commercial business strategy, the current non-investment grade credit ratings have resulted and will likely continue to result in requirements that Kodak either prepay obligations or post significant amounts of collateral to support its business. Additionally, the current non-investment grade credit ratings may limit its ability to obtain additional sources of liquidity, refinance its debt obligations, including any mandatory redemption of its Series A Preferred Stock, or access the capital markets at the lower borrowing costs which would presumably be available to competitors with higher or investment grade ratings. Should its ratings continue at their current levels, or should its ratings be further downgraded, it would expect these negative effects to continue and, in the case of a downgrade, become more pronounced. In particular, if the Company's credit ratings were to decline it would be required to provide up to \$19 million of letters of credit to the issuers of certain surety bonds to fully collateralize such bonds.

***The availability of borrowings and letters of credit under the ABL Credit Agreement is limited by the amount of various types of assets and, under certain circumstances, the administrative agent under the ABL Credit Agreement will have greater control over Kodak's cash.***

Availability under the Company's ABL Credit Agreement is based on the amount of Eligible Receivables, Eligible Inventory, Eligible Machinery and Equipment and Eligible Cash less specified reserves as described in Note 6, "Debt and Capital Leases" to the consolidated financial statements. Kodak's U.S. Accounts Receivable and Inventory levels have declined over the past four years, and Machinery and Equipment for purposes of the ABL Credit Agreement amortizes down by \$1 million per quarter. If Eligible Receivables, Eligible Inventory and Eligible Machinery and Equipment continue to decline and an asset base cannot be maintained to support the \$96 million of outstanding letters of credit and the \$19 million of Excess Availability required under the ABL Credit Agreement, the Company would be required to increase restricted cash deposited in the Eligible Cash account or remain in compliance with the ABL Credit Agreement's Fixed Charge Coverage Ratio and operate under cash dominion by the administrative agent under the ABL Credit Agreement. Additional cash deposited in the Eligible Cash account would be classified as restricted cash, would not be available to support ongoing working capital and investment needs and could not be used in determining the Net Secured Leverage Ratio under the First Lien Term Credit Agreement. If the administrative agent under the ABL Credit Agreement executed cash dominion, it would increase operational complexities for the Company. An event of default would occur under these circumstances if neither of these alternatives were achieved.

***The Company's substantial monetary obligations require a portion of its cash flow be used to pay interest, dividends and fund other obligations rather than be invested in the business and could adversely affect its ability to fund its operations.***

The Company's indebtedness under the Credit Agreements and its other obligations including the potential mandatory redemption of the Series A Preferred Stock could have important negative consequences to the Company and investors in its securities. These include the following:

- it may not be able to satisfy all of its obligations, including, but not limited to, its obligations under the Credit Agreements, which may cause a cross-default or cross-acceleration on other debt it may have incurred;

- it could have difficulties obtaining necessary financing in the future for working capital, capital expenditures, debt service requirements, mandatory redemption of the Series A Preferred Stock, refinancing or other purposes;
- it will have to use a significant part of its cash flow or cash balances to make payments on its debt or Series A Preferred Stock and to satisfy the other obligations set forth above, which may reduce the capital available for operations and expansion; and
- adverse economic or industry conditions may have more of a negative impact on it.

The Company cannot be sure cash generated from its business will be as high as it expects or its expenses will not be higher than it expects. Because a portion of its expenses are fixed in any given year, its operating cash flow margins are highly dependent on revenues, which are largely driven by customer demand. A lower amount of cash generated from its business or higher expenses than expected, when coupled with its debt obligations, could adversely affect its ability to fund its operations.

#### **Risks Related to the Company's Common Stock**

***The conversion of the Company's Series A Preferred Stock into shares of the Company's common stock may dilute the value for the current holders of the Company's common stock.***

The 2,000,000 outstanding shares of the Company's Series A Preferred Stock are convertible into shares of the Company's common stock at a conversion rate of 5.7471 shares of common stock per share of Series A Preferred Stock. As a result of the conversion of any issued and outstanding Series A Preferred Stock, the Company's existing shareholders will own a smaller percentage of its outstanding common stock. Based on the capitalization of the Company as of March 1, 2018, the conversion of all shares of the Series A Preferred Stock would result in the issuance to holders thereof of approximately 21% of the outstanding common stock after giving effect to such conversion. Further, additional shares of common stock may be issuable pursuant to certain other features of the Series A Preferred Stock, with such issuances being further dilutive to existing holders of common stock.

If Series A Preferred Stock is converted into common stock, holders of such converted common stock will be entitled to the same dividend and distribution rights as holders of the common stock currently authorized and outstanding. As such, another dilutive effect resulting from the conversion of any issued and outstanding shares of Series A Preferred Stock will be a dilution to dividends and distributions.

Holders of the Company's common stock will not realize any dilution in their ownership, dividend or distribution rights solely as a result of the reservation of any shares of common stock for issuance upon conversion of the Series A Preferred Stock or for issuance of additional shares of common stock pursuant to certain other features of the Series A Preferred Stock, but will experience such dilution to the extent additional shares of common stock are issued in the future as described above.

***The holders of the Company's Series A Preferred Stock own a large portion of the voting power of the Company's outstanding securities and have the right to nominate two members to the Company's Board. As a result, these holders may influence the composition of the Board and future actions taken by the Board.***

The holders of the Company's Series A Preferred Stock are entitled to vote upon all matters upon which holders of the Company's common stock have the right to vote and are entitled to the number of votes equal to the number of full shares of common stock into which such shares of Series A Preferred Stock could be converted at the then applicable conversion rate. These holders currently hold approximately 30% of the voting power of the Company on an as-converted basis. As a result, these holders may have the ability to influence future actions by the Company requiring shareholder approval. The Company and these holders are parties to a Shareholder Agreement that contains certain restrictions on disposition or acquisition of Company securities and other actions by these holders, some of which restrictions will expire on April 17, 2020.

Further, for as long as they hold any shares of Series A Preferred Stock, the current holders of the Series A Preferred Stock are entitled to nominate for election (collectively and not individually) at the Company's annual meeting of shareholders a number of directors to the board of directors of the Company (the "Board") commensurate with their ownership percentage of common stock on an as-converted basis. Two of the Company's current Board members were nominated by these current holders, who also have the right to fill vacancies on the Board created by one of their nominees ceasing to serve on the Board. The nomination and other rights regarding the Board granted to the current holders of Series A Preferred Stock are not transferrable to any other person. Also, whenever dividends on the Series A Preferred Stock are in arrears for six or more dividend periods, the holders of Series A Preferred Stock (voting with holders of all other classes of preferred stock of the Company whose voting rights are then exercisable) are entitled to vote for the election of two additional directors at the Company's next annual meeting and all subsequent meetings until all accumulated dividends on such Series A Preferred Stock and other voting preferred stock have been paid or set aside (during which time the number of directors the current holders of Series A Preferred Stock are entitled to nominate under the Purchase Agreement will be reduced by two). As a result, the presence of directors on the Board nominated by the current holders of Series A Preferred Stock or elected by the holders of Series A Preferred Stock would enable such current holders or the holders of Series A Preferred Stock to influence the composition of the Board and, in turn, potentially influence and impact future actions taken by the Board.

**The Company has registered the resale of a large portion of its outstanding securities. The resale of the Company's common stock, or the perception that such resale may occur, may adversely affect the price of its common stock.**

In compliance with two Registration Rights Agreements to which the Company is a party, it has registered the resale of an aggregate of 20,723,050 shares of outstanding common stock, 2,000,000 shares of outstanding Series A Preferred Stock, 11,494,200 shares of common stock, subject to anti-dilution adjustments, issuable upon the conversion of outstanding Series A Preferred Stock, and 863,804 shares of common stock issuable upon the exercise of outstanding warrants. The resale of a substantial number of shares of common stock in the public market, or the perception that such resale might occur, could cause the market price of the Company's common stock to decline. Under the terms of the Registration Rights Agreements to which the Company is subject, the counterparties to such Registration Rights Agreements can, in certain circumstances, require the Company to participate in an underwritten public offering of the registered securities. Any shares sold in a registered resale will be freely tradable without restriction under the Securities Act. While the Company cannot predict the size of future resales or distributions of its common stock, if there is a perception that such resales or distributions could occur, or if the holders of the Company's securities registered for resale sell a large number of the registered securities, the market price for the Company's common stock could be adversely affected.

**The resale of a significant portion of the Company's securities registered for resale could result in a change of control of the Company and the loss of favorable tax attributes.**

The Company has registered the resale of securities representing approximately 60% of its outstanding shares of common stock assuming the issuance of all common stock issuable upon the conversion of the Series A Preferred Stock or the exercise of the warrants corresponding to shares of common stock registered for resale. Although the holders of the subject securities consist of several unaffiliated groups, these holders collectively have a controlling influence over all matters presented to the Company's shareholders for approval, including election of members to the Board and change of control transactions. In addition, the holders of subject securities collectively would be able to cause a change of control of the Company by selling a sufficient portion of the Company's securities held by them. If such a transaction, in combination with other transactions including the issuance of the Series A Preferred Stock, were to result in an "ownership change" as determined under Section 382 of the Internal Revenue Code of 1986, as amended, then the Company's ability to offset taxable income with tax attributes generated prior to the ownership change date could be limited, possibly substantially. For more information on the Company's tax attributes refer to Note 12, "Income Taxes". The interests of the holders of the securities registered for resale may not always coincide with the interests of the other holders of our common stock.

**The market price of the Company's common stock may be volatile and such volatility may be affected by the volatility of blockchain and cryptocurrency markets.**

The trading price of the Company's common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, including the risk factors described above and other factors which are beyond Kodak's control. The trading price of the Company's common stock has been dramatically affected by the announcement of the license granted by Kodak to WENN Digital, Inc. ("WENN") to use Kodak's brand in connection with WENN's KODAKOne blockchain-based image rights management platform and Kodak-branded cryptocurrency. Kodak may, in the future, have other involvement relating to blockchain technology or cryptocurrency, either directly or as a licensor. Kodak cannot predict whether, or the extent to which, the trading price of the Company's common stock will continue to be affected by blockchain or cryptocurrency markets and any volatility in such markets.

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

**(a) Sales of unregistered securities during the quarter ended June 30, 2018**

Not Applicable

**(b) Issuer purchases of equity securities during the quarter ended June 30, 2018**

Repurchases related to Stock Compensation Plans <sup>(1)</sup>:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum That May Be Purchased under the Plans or Programs
June 1 through 30	9,840	\$ 4.74	n/a	n/a
Total	<u>9,840</u>			

<sup>(1)</sup> These repurchases are made pursuant to the terms of the 2013 Omnibus Incentive Plan providing the Company the right to withhold amounts deliverable under the plan to satisfy minimum statutory tax withholding requirements.



**Items 3 and 4.**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

- (a) Exhibits required as part of this report are listed in the index appearing below.

**Eastman Kodak Company**  
**Index to Exhibits**

- (3.1) [Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company \(Incorporated by reference to Exhibit \(4.1\) of the Company's Registration Statement on Form S-8 as filed on September 3, 2013\).](#)
- (3.2) [Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company \(Incorporated by reference to Exhibit \(3.1\) of the Company's Current Report on Form 8-K as filed November 16, 2016\).](#)
- (3.3) [Fourth Amended and Restated By-Laws of Eastman Kodak Company \(Incorporated by reference to Exhibit \(3.1\) of the Company's Current Report on Form 8-K as filed on May 25, 2017\).](#)
- \*(10.1) [Eastman Kodak Company Administrative Guide for Supplemental Awards for the 2018 Performance Period under the Executive Compensation for Excellence and Leadership Plan and Form of Individual Plan Overview, filed herewith.](#)
- \*(10.2) [Eastman Kodak Company 2013 Omnibus Incentive Plan Form of Award Agreement for 2018 Performance Incentive Program, filed herewith.](#)
- \*(10.3) [Employment Agreement between Eastman Kodak Company and Eric Mahe, dated April 23, 2014, filed herewith.](#)
- (31.1) [Certification signed by Jeffrey J. Clarke, filed herewith.](#)
- (31.2) [Certification signed by David E. Bullwinkle, filed herewith.](#)
- (32.1) [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Jeffrey J. Clarke, filed herewith.](#)
- (32.2) [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by David E. Bullwinkle, filed herewith.](#)
- (101.CAL) XBRL Taxonomy Extension Calculation Linkbase.
- (101.INS) XBRL Instance Document.
- (101.LAB) XBRL Taxonomy Extension Label Linkbase.
- (101.PRE) XBRL Taxonomy Extension Presentation Linkbase.
- (101.SCH) XBRL Taxonomy Extension Schema Linkbase.
- (101.DEF) XBRL Taxonomy Extension Definition Linkbase

\* Management compensatory plan or arrangement

**SIGNATURES**

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

**EASTMAN KODAK COMPANY**  
(Registrant)

**Date August 9, 2018**

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

**Eastman Kodak Company**  
**Administrative Guide for Supplemental Awards for the 2018 Performance Period**  
**under the**  
**Executive Compensation for Excellence and Leadership (EXCEL) Plan**

**ARTICLE 1. INTRODUCTION**

**1.1 Background**

Under Article 4 of the Executive Compensation for Excellence and Leadership Plan (the “Plan”), the Executive Compensation Committee (the “Committee”) has exclusive responsibility to control, operate, manage and administer the Plan in accordance with its terms.

**1.2 Purpose**

This Administrative Guide governs the Committee’s grant of Supplemental Awards for the 2018 Performance Period under the Plan. This Administrative Guide may also be referred to by the Company as the “Supplemental Plan” or the “Supplemental Plan Administrative Guide.” Unless otherwise noted in this Administrative Guide or determined by the Committee, the terms of the Plan shall apply to all Supplemental Awards for the 2018 Performance Period granted under the Plan.

For the avoidance of doubt, the Supplemental Awards are in addition to any other Awards for the 2018 Performance Period granted by the Company under the Plan or any other variable pay plan of the Company.

**ARTICLE 2. DEFINITIONS**

Any defined term used in this Administrative Guide, other than those specifically defined in this Administrative Guide, will have the same meaning as that given to it under the terms of the Plan.

**2.1 Form 10-K Filing Date**

The term “Form 10-K Filing Date” means the date that the Company files with the Securities and Exchange Commission its Form 10-K for the period ending December 31, 2018.

**2.2 Performance Gates**

The term “Performance Gate” means a performance condition which must be achieved for performance against the Performance Goal(s) to be considered. Failure to achieve a Performance Gate prevents the funding of the Supplemental Award Pool and the payment of any Supplemental Award regardless of performance against the Performance Goal(s). The Performance Gate(s) for the Supplemental Awards for the 2018 Performance Period are listed in Appendix A.

---

### **2.3 Performance Goal(s)**

The term "Performance Goal(s)" means the Company and individual Performance Goal(s) upon which the payment of the Supplemental Awards is determined. The Performance Goal(s) for the Supplemental Awards for the 2018 Performance Period are listed in Appendix A.

### **2.4 Performance Period**

The term "Performance Period" or "2018 Performance Period" means the Performance Period that coincides with Kodak's 2018 fiscal year.

## **ARTICLE 3. ELIGIBILITY**

Those employees who were deemed to hold critical roles in driving progress against the strategic goals for the Company (the "Participants") were selected by the Committee and were granted Supplemental Awards for the 2018 Performance Period under the Plan pursuant to this Administrative Guide.

A Participant's Supplemental Award will be calculated using the Participant's base salary and target variable percentage as of December 31 of the Performance Period (the "Target Award").

Receipt of a Supplemental Award for the 2018 Performance Period by a Participant will not in any manner entitle the Participant to receive payment of such Supplemental Award. The determination as to whether a Participant becomes entitled to payment of his or her Supplemental Award for the 2018 Performance Period will be decided solely in accordance with the terms of this Administrative Guide and the Plan.

Subject to applicable local laws, regulations and processes, to be eligible for and to receive payment of a Supplemental Award, a Participant must have signed an Employee Agreement in a form acceptable to the Chief Human Resources Officer, Eastman Kodak Company. Any Participant who fails to sign such an Employee Agreement on or prior to the Award Payment Date(s) will not receive payment of his or her Supplemental Award.

## **ARTICLE 4. AWARD DESCRIPTION**

### **4.1 Terms of Awards**

All Supplemental Awards for the 2018 Performance Period under the Plan granted by the Committee pursuant to this Administrative Guide will be subject to the terms, conditions, restrictions and limitations contained in this Administrative Guide as well as those contained in the Plan.

### **4.2 Form of Awards**

Any Supplemental Award for the 2018 Performance Period will be paid on the Award Payment Date(s) determined by the Company, in cash, Common Stock or other property, or any combination thereof, as determined by the Committee. To the extent a Supplemental Award is paid in Common Stock, such Common Stock will be issued under the Eastman Kodak Company 2013 Omnibus Incentive Compensation Plan (or any applicable successor plan thereto).

## **ARTICLE 5. AWARD DETERMINATION**

### **5.1 Calculation of Award Amount**

Provided that the Performance Gate(s) have been achieved, the amount of a Participant's Supplemental Award for the 2018 Performance Period payable will be based on the Participant's Applicable Performance Percentage derived from the Performance Goal(s) applicable to the Company and the Participant, multiplied by the Participant's Target Award.

### **5.2 Certification**

Following the completion of the Performance Period, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goal(s) and Performance Gate(s) for the Performance Period have been achieved. The Committee will review and certify any individual performance goals of the CEO, and the CEO may review and certify any individual performance goals of a Participant other than the CEO. If the Committee certifies that the Performance Gate(s) have been achieved, it shall also calculate and certify in writing each Participant's Applicable Performance Percentage. The Committee may, through the use of discretion, increase or reduce a Participant's Applicable Performance Percentage or the amount of a Participant's Supplemental Award that would otherwise be payable by application of the Participant's Applicable Performance Percentage, if, in its sole judgment, such increase or reduction is appropriate.

### **5.3 Calculation and Allocation of Award Pool**

Solely for purposes of the Plan, the Supplemental Award Pool shall be the aggregate of the amount of each Participant's Supplemental Award determined under Section 5.2, which shall be allocated among the Participant's in accordance with the amount of their respective Supplemental Awards determined under Section 5.2. For each Participant who is a Covered Employee, the sum of the Participant's Supplemental Award and the Participant's other Awards under the Plan for the 2018 Performance Period may not exceed \$5,000,000.

## **ARTICLE 6. PAYMENT OF AWARDS**

### **6.1 Continued Employment**

Except as otherwise provided by this Article 6, to be eligible to be considered for a Supplemental Award for the 2018 Performance Period, a Participant must be actively employed by the Company on the Form 10-K Filing Date.

### **6.2 Termination During the Performance Period**

In the event a Participant's employment is terminated during the 2018 Performance Period, whether by the Company or the Participant, for any reason (including, but not limited to the Participant's death or Disability) other than as part of a divestiture by the Company, the Participant will not be eligible to be considered for a Supplemental Award for the 2018 Performance Period.

If the termination during the 2018 Performance Period is part of a divestiture by the Company, the Participant will be eligible to be considered for a pro-rata Supplemental Award paid by the Company based on the number of days during the Performance Period before the date of the divestiture only if the successor company has not agreed to accept liability for the Supplemental

Award. The amount of any pro-rata Supplemental Award will be calculated as a percentage. The numerator will be the number of days during the Performance Period during which the Participant was employed by the Company prior to the divestiture, and the denominator of which is 365 days.

### **6.3 Termination After Performance Period and Prior to Form 10-K Filing Date**

In the event that a Participant is terminated by the Company for Cause after the end of the Performance Period, but before the Form 10-K Filing Date, the Participant will not be eligible to be considered for a Supplemental Award for the Performance Period.

In the event that a Participant is terminated by the Company after the end of the Performance Period and prior to the Form 10-K Filing Date for any reason other than Cause, the Participant will be eligible to be considered for a Supplemental Award for the Performance Period, based on certification by the Committee as set forth in Section 5.2 and subsequent management discretion with respect to the Participant's performance in the Performance Period. If the termination is part of a divestiture by the Company, the Participant will be eligible to be considered for a Supplemental Award paid by the Company only if the successor company has not agreed to accept liability for the Supplemental Award.

In the event that a Participant voluntarily terminates his or her employment with the Company after the end of the Performance Period and prior to the Form 10-K Filing Date for any reason other than the death or Disability of the Participant, the Participant will not be eligible to be considered for a Supplemental Award for the Performance Period.

In the event of the death or Disability of a Participant after the end of the Performance Period and prior to the Form 10-K Filing Date, the Participant will be eligible to be considered for a Supplemental Award for the Performance Period, based on certification by the Committee as set forth in Section 5.2 and subject to subsequent management discretion with respect to the Participant's performance in the Performance Period.

### **6.4 Forfeiture**

If, at any time, a Participant breaches his or her Employee Agreement or performs any act or engages in any activity which the CEO, in the case of all Participants other than the CEO, or the Committee, in the case of the CEO, determines is inimical to the best interests of Kodak, the Participant will forfeit all of his or her Supplemental Award.

## **ARTICLE 7. ADMINISTRATION**

This Administrative Guide shall be administered by the Committee. The Committee is authorized to interpret, construe and implement the Administrative Guide, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary, appropriate or advisable for its administration. Any determination by the Committee in carrying out, administering or construing this Administrative Guide will be final and binding for all purposes and upon all interested persons and their heirs, successors, and personal representatives.

## **ARTICLE 8. MISCELLANEOUS**

### **8.1 Termination/Amendment**

The Committee may amend, suspend or terminate this Administrative Guide in whole or in part at any time and for any reason, with or without prior notice. In addition, the Committee, or any person to whom the Committee has delegated the requisite authority, may, at any time and from time to time, amend this Administrative Guide in any manner and for any reason.

## **8.2 Section 409A Compliance**

Notwithstanding Section 10.9 of the Plan, the Supplemental Awards described in this Administrative Guide for the Performance Period are intended to comply with Section 409A of the Code to the extent such arrangements are subject to that law, and the Plan and this Administrative Guide shall be interpreted and administered accordingly.

## **8.3 Participant's Rights Unsecured**

The amounts payable under the Plan pursuant to this Administrative Guide will be unfunded, and the right of any Participant or his or her estate to receive payment under this Administrative Guide will be an unsecured claim against the general assets of the Company.

## **8.4 No Guarantee of Tax Consequences**

No person connected with the Plan or this Administrative Guide in any capacity, including, but not limited to, the Company and its directors, officers, agents and employees makes any representation, commitment, or guarantee that any tax treatment, including, but not limited to, federal, state and local income, estate and gift tax treatment, will be applicable with respect to amounts deferred under the Plan or this Administrative Guide, or paid to or for the benefit of a Participant under the Plan or this Administrative Guide, or that such tax treatment will apply to or be available to a Participant on account of participation in the Plan pursuant to this Administrative Guide.

\* \*\*\*\*



## APPENDIX A

### CONFIDENTIAL - DO NOT DISTRIBUTE

- **Performance Gate(s):**
  - Compliance with covenants
- **Performance Goal Weightings:**
  - Individual Management by Objectives (MBOs)\*: **60%**
  - Total Company Financial Performance (as defined for and determined under the EXCEL/KVP Plan for 2018 Performance Period in which the Participant participates): **40%**

\* *A Participant's individual MBOs are set forth in an individual 'plan overview' for that Participant, which shall be considered part of this Appendix for that Participant. Leaders will have the ability to adjust any Participant's MBOs throughout the 2018 Performance Period as strategic priorities shift.*

**2018 SUPPLEMENTAL AWARDS  
PLAN OVERVIEW**

This Plan Overview has been developed for the following Participant:

**EMPLOYEE NAME:**

**DIVISION:**

**PERFORMANCE PERIOD:** January 1, 2018 - December 31, 2018

<b>Purpose</b>
----------------

The purpose of this document is to provide an overview of your Supplemental Award for the 2018 Performance Period under the Eastman Kodak Company Executive Compensation for Excellence and Leadership (EXCEL) Plan ("Plan"). More information about your Supplemental Award is available in the Supplemental Plan Administrative Guide, delivered with this individual plan document.

<b>Overview of Plan</b>
-------------------------

The Supplemental Awards are designed to incentivize critical resources for the successful execution of pre-identified goals aligned to the 2018 'value drivers' for the Company, and to provide greater line-of-sight for a payout opportunity under the Plan. Payment of the Supplemental Award is conditional on the satisfaction of the Performance Gate and is based on Performance Goals outlined in this overview. Your Supplemental Award is in addition to any other Award you may receive under the Plan or other variable pay plan of the Company for the 2018 Performance Period.

<b>Key Compensation Elements</b>	
<b>Base Salary</b>	
<b>Variable %</b>	
<b>Target Award</b>	

Plan Metrics	Metric Weighting	Plan Target Incentive
<b>Performance Gate<sup>1</sup></b>		
Compliance with Covenants		
<b>Performance Goals</b>		
Total Company Financial Performance <sup>2</sup>	<b>40%</b>	<b>100%</b>
Individual Management by Objectives (MBOs) <sup>3</sup>	<b>60%</b>	<b>100%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>

- 1 The Performance Gate must be satisfied before any payout can be made.
- 2 Total Company Financial Performance will be based on your EXCEL/KVP Company financial metrics.
- 3 Your respective ELT member will provide you with detailed information on your MBOs, which will be considered part of your plan overview. ELT, at their discretion, may adjust MBOs during the 2018 Performance Period if strategic priorities shift. Any change requires CHRO and respective ELT approval.

**EASTMAN KODAK COMPANY**  
**2018 Performance Incentive Program under the**  
**2013 OMNIBUS INCENTIVE PLAN**

**Award Agreement**

This “Award Agreement” evidences a performance award (the “Award”) by the Company under the Eastman Kodak Company 2013 Omnibus Incentive Plan (the “Plan”), as indicated below. The Award is subject to all other terms set forth in the Plan and this Award Agreement. Capitalized terms not defined in this Award Agreement have the meanings given to them in the Plan.

**Name of Grantee:**

**Grant Date:**        January 1, 2018

**Total Award Value:**        \$

**Award Terms**

**Vesting Schedule:**

Performance Period: There will be a two-year Performance Period (the “Performance Period”), which runs from January 1, 2018 through December 31, 2019. The performance goals for the Performance Period (together, the “Goal”) are:

- (a) a “cash balance” increase of \$50M (net of “debt repayments”); and
- (b) “cash generated from working capital” greater than \$0.

Definitions for these metrics will follow standard GAAP definitions.

Vesting Period: Following the Performance Period, there will be a one-year Vesting Period (the “Vesting Period”), which runs from January 1, 2020 through December 31, 2020.

A Participant’s Award will only vest if (a) the Performance Goal is achieved, and (b) the Grantee is continuously employed by the Company or any of its Affiliates from the Grant Date through the end of the Vesting Period (the “Vesting Date”). If the Goal is not met, the Award will be forfeited as of the end of the Performance Period, and in the event of the Participant’s termination of service for any reason prior to the end of the Vesting Period, the Participant’s Award will be immediately forfeited.

**Payment/Delivery:**

If the Goal is met and the Participant remains in continuous employment with the Company or any of its Affiliates from the Grant Date through the Vesting Date, the Company shall pay to the Grantee the Total Award Value in cash no later than 30 days after the Vesting Date, subject to Section 16.4 of the Plan (Tax Withholding).

Notwithstanding the foregoing, the Executive Compensation Committee of Kodak's Board of Directors (the "Committee") may, in its sole discretion, settle the Award in whole or in part in Shares under the Plan. If the Committee chooses to settle all or a portion of the Award in Shares, the number of Shares to be issued to the Grantee shall be determined by dividing the amount of the Award to be settled in Shares by the Fair Market Value of a Share on the payment date.

**Transferability:**

Except as otherwise provided by the Plan, the Award is not in any manner subject to alteration, anticipation, sale, transfer, assignment, pledge or encumbrance.

**No Right to Continued Employment:**

The Grantee's receipt of the Award does not give the Grantee a right to remain in the employment of the Company or any of its Affiliates.

**Data Privacy:**

By accepting the Award, the Grantee agrees that any data, including the Grantee's personal data, may be exchanged among the Company and its Affiliates to the extent the Company determines necessary or advisable to administer the Plan and the Award, as well as with any third-party engaged by the Company to administer the Plan and the Awards granted under the Plan.

**Amendment:**

Pursuant to Section 15.2 of the Plan, the Committee may from time to time amend this Award Agreement; provided, however, no amendment shall materially adversely impair the rights of the Grantee under this Award Agreement without the Grantee's consent.

**Miscellaneous:**

The Award is intended to comply with the requirements of Section 409A, and the Plan and this Award Agreement shall be interpreted and administered consistent with such intentions, and in accordance with Eastman Kodak Company's Policy Regarding Section 409A Compliance. The Company may unilaterally amend this Award Agreement for purposes of compliance with Section 409A if, in its sole discretion, the Company determines that such amendment would not have a material adverse effect with respect to the Grantee's rights under this Award Agreement. Notwithstanding the foregoing, no person connected with the Plan or the Award in any capacity, including, but not limited to, the Company and its directors, officers, agents and employees makes any representation, commitment, or guarantee that any tax treatment will be applicable with respect to the Award or payments made under this Award Agreement, or that such tax treatment will apply to or be available to the Grantee.

The Award will not be includible as compensation or earnings for purposes of any benefit or compensation plan offered by the Company or its Affiliates.

The obligations of the Company pursuant hereto are subject to compliance with all applicable governmental laws, regulations, rules and administrative actions, including, but not limited to, the Securities Act of 1933, as amended, and the Exchange Act, and all rules promulgated thereunder. In order to avoid any violations, the Committee may, at any time and from time to time, impose additional restrictions upon the Award.

**All Other Terms:**

As set forth in the Plan.

The Plan is incorporated herein by reference, and, by accepting this Award, the Grantee agrees to be subject to the terms and conditions of the Plan and this Award Agreement. This Award Agreement and the Plan constitute the entire agreement and understanding of the parties with respect to the Award.

April 23, 2014

Re: Employment Agreement

Dear Eric:

This mutually agreeable form of employment agreement (this “*Agreement*”), will be your employment agreement with Eastman Kodak Company and will be effective on April 28, 2014 (“the Effective Date”). For purposes of this Agreement, the term “*Company*” shall refer to Eastman Kodak Company.

### 1. Terms Schedule

Some of the terms of your employment are in the attached schedule (your “*Schedule*”), which is part of this Agreement.

### 2. Commencement of Employment

Your employment will begin on the Effective Date.

### 3. Your Position, Performance and Other Activities

- a) *Position.* You will be employed in the position stated in your Schedule. Your position will be based in Singapore.
- b) *Authority, Responsibilities, and Reporting.* Your authority, responsibilities and reporting relationships will correspond to your position and will include any particular authority, responsibilities and reporting relationships that any manager or officer of the Company to whom you report may assign to you from time to time.
- c) *Performance.* You will devote substantially all of your business time and attention to the Company and will use good faith efforts to discharge your responsibilities under this Agreement to the best of your ability.
- d) *Other Activities.* During your employment and subject to the terms of the Schedule, you may (1) serve on corporate, civic or charitable boards or committees, (2) manage personal investments, or (3) engage in any other permitted activity stated in your Schedule, *so long as* these activities, whether individually or in the aggregate, do not materially interfere with your performance of your responsibilities under this Agreement.
- e) *Incorporation of Employee's Agreement.* The terms of Eastman Kodak Company Employee's Agreement, attached hereto as Exhibit 1, are incorporated by reference and you agree to abide by all such terms.

### 4. Your Compensation

---

- a) *Salary.* You will receive an annual base salary (your “*Salary*”). Commencing on the Effective Date, the starting amount of your Salary will be the amount set forth in your Schedule. Your Salary will be paid in accordance with the Company’s normal practices for similarly situated executives.
- b) *Annual Incentive.* You will be eligible to participate in the Company’s short-term variable pay plan for its management level employees, known as Executive Compensation for Excellence and Leadership (“EXCEL”) (your “*Annual Incentive*”). Your annual target award under EXCEL will be determined in accordance with your Schedule. Any actual award in a given annual performance period will depend upon performance against corporate goals selected by management and approved by the appropriate committee of the Board and will be paid in the discretion of such committee. The terms of the EXCEL plan itself govern and control all interpretations of the plan.
- c) *Sign-On Award.* On or shortly after the Effective Date, you will be granted the sign-on award stated in your Schedule, which will be subject to the terms and conditions set forth in the applicable award notice. This award is stated on your Schedule in terms of US dollar (\$) value. The actual number of restricted stock units you will be granted is calculated by dividing the dollar value of your award by the closing price of the Company’s stock on the New York Stock Exchange on the date of grant.
- d) *Long-Term Incentive Awards.* You will be eligible to participate in the Company’s Long-Term Incentive (LTI) program under the Eastman Kodak Company 2013 Omnibus Incentive Plan (the “*Omnibus Plan*”). The amount and form of any award (the “*Long-Term Equity Award*”) to be granted to you will be determined by the Company in accordance with the terms of the Omnibus Plan and your Schedule. The specific terms, conditions and restrictions on any Long-Term Equity Award will be contained in the Administrative Guide and Award Notice delivered to you within twenty (20) business days of the grant date.

## 5. Your Benefits

- a) *Employee Benefit Plans.* During the Scheduled Term, you will be entitled to participate in each of the Company’s Singapore employee benefit plans available to employees of the Company or its subsidiaries who are based in Singapore, on a basis that is at least as favorable as that provided to similarly situated executives of the Company or its subsidiaries in Singapore.
  - b) *Vacation.* You will be entitled to paid annual vacation in accordance with your Schedule.
  - c) *Business Expenses.* You will be reimbursed for all reasonable business expenses incurred by you in performing your responsibilities under this Agreement, subject to the terms of applicable Company reimbursement policies as in effect from time to time.
  - d) *Additional Benefits.* During your employment, you will be provided any additional benefits stated in your Schedule.
-



## 6. Employment Preconditions

This Agreement is subject to all employment preconditions that are required for employees of the Company or any of its subsidiaries who are based in Singapore. This Agreement may be revoked by the Company due to your inability to satisfy any one or more of these conditions.

## 7. Termination of Your Employment

a) *No Reason Required.* Neither you nor the Company is under any obligation to continue your employment. In addition, you or the Company may terminate your employment at any time for any reason, or for no reason, subject to compliance with Section 7(c).

b) *Related Definitions.*

1. “*Cause*” means any of the following: (A) your continued failure, for a period of at least 30 calendar days following a written warning, to perform your duties in a manner deemed satisfactory by your supervisor, in the exercise of his or her sole discretion; (B) your failure to follow a lawful written directive of the Chief Executive Officer, your supervisor or the Board of Directors of the Company; (C) your willful violation of any material rule, regulation, or policy that may be established from time to time for the conduct of the Company’s business; (D) your unlawful possession, use or sale of narcotics or other controlled substances, or performing job duties while illegally used controlled substances are present in your system; (E) any act or omission or commission by you in the scope of your employment (a) which results in the assessment of a civil or criminal penalty against you or the Company, or (b) which in the reasonable judgment of your supervisor could result in a material violation of any foreign or U.S. federal, state or local law or regulation having the force of law; (F) your conviction or of plea of guilt or no contest to any crime involving moral turpitude; (G) any misrepresentation of a material fact to, or concealment of a material fact from, your supervisor or any other person in the Company to whom you have a reporting relationship in any capacity; or (H) your breach of the Company’s Business Conduct Guide or the Eastman Kodak Company Employee’s Agreement.

2. “*Good Reason*” means any of the following: (A) a material diminution in your total target cash compensation, comprised of your Salary and target Annual Incentive; (B) a material diminution in your authority or responsibilities as provided in Section 3(b); (C) any material breach of this Agreement by the Company; or (D) any purported termination by the Company of your employment other than as expressly permitted by this Agreement; or (E) a Change of Control (as defined below) event followed by your involuntary termination (as determined by the Board or the appropriate committee of the Board) within two years of the Change of Control event.

3. “*Disability*” means meeting the definition of disability under the terms of the Kodak Long-Term Disability Plan and receiving benefits under such plan, where such a plan exists.

4. “*Willful*” means any act done or omitted to be done not in good faith and without reasonable belief that such action or omission was in the best interest of the Company.

---

5. "Change of Control" means the occurrence of any of the following events:
- a) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 ("*Exchange Act*") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of the Company's securities representing 50% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board ("Company Voting Securities"); provided, however, that the event described in this paragraph (a) shall not be deemed to be a Change of Control by virtue of an acquisition of Company Voting Securities: (i) by the Company or any Subsidiary, (ii) by any beneficial owner of the Company's securities as of the Effective Date, (iii) by any employee benefit plan (or related trust) sponsored or maintained by Company or any Subsidiary, (iv) by any underwriter temporarily holding securities pursuant to an offering of such securities or (v) pursuant to a Non-Qualifying Transaction (as defined in paragraph (b) of this definition);
  - b) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "Surviving Entity"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 95% of the voting power, is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (ii) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the parent), is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the parent (or, if there is no parent, the Surviving Entity) and (iii) at least a majority of the members of the board of directors of the parent (or, if there is no parent, the Surviving Entity) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (i), (ii) and (iii) of this paragraph (b) shall be deemed to be a "Non-Qualifying Transaction");
  - c) the consummation of a sale of all or substantially all of the Company's assets (other than to an Affiliate); or
  - d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.
-

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

c) *Advance Notice Generally Required.*

1. To terminate your employment, either you or the Company must provide a Termination Notice to the other. A "Termination Notice" is a written notice that states the specific provision of this Agreement on which termination is based, including, if applicable, the specific clause of the definition of Cause or Good Reason and a reasonably detailed description of the facts that permit termination under that clause; *provided*, that the failure to include any fact in a Termination Notice that contributes to a showing of Cause or Good Reason does not preclude either party from asserting that fact in enforcing its rights under this Agreement. If you do not give a Termination Notice within 90 days after you have knowledge that an event constituting Good Reason has occurred, the event will no longer constitute Good Reason. In addition, you must give the Company 30 days to cure the first event constituting Good Reason.
2. You and the Company agree to provide 30 days' advance Termination Notice of any termination, *unless* your employment is terminated by the Company for Cause or because of your Disability or death. If you die or become Disabled after you provide a valid Termination Notice with Good Reason or the Company provides Termination Notice without Cause, your termination will be treated as a termination with Good Reason or without Cause, effective as of the date of your Disability or death.

Following receipt of such notice, the Company may, at its sole discretion, choose to either (1) waive that notice period (thereby immediately terminating your employment) or (2) place you on paid leave, at your then-current salary for any or all of the notice period.

d) *With Good Reason or Without Cause.* If, during your employment, the Company terminates your employment without Cause or you terminate your employment for Good Reason:

1. The Company will pay you the following at the end of your employment: (A) your accrued but unpaid Salary through the last day of your employment, (B) your Salary for any accrued but unused vacation, and (C) any accrued expense reimbursements and other cash entitlements (including for accrued expense reimbursement for which supporting documentation is submitted within 30 days after termination of your employment) (together, your "*Accrued Compensation*"). In addition, the Company will timely pay you any amounts and provide you any benefits that are required, or to which you are entitled, under any plan, contract or arrangement of the Company as of the end of your employment (together, the "*Other Benefits*").
-

2. The Company will pay you severance ("*Severance Payments*") in an amount equal to your Salary, multiplied by the severance multiplier on your Schedule ("*Severance Multiplier*").
  3. Your Annual Incentive will be governed by the terms of the EXCEL plan and any applicable Administrative Guide or Award notice.
  4. Your Long-Term Equity Awards will be governed by the terms of the Omnibus Plan and any applicable Administrative Guide and/or Award Notice.
- e) *For Cause or without Good Reason.* If the Company terminates your employment for Cause or you terminate your employment without Good Reason, the Company will pay your Accrued Compensation and your Other Benefits. Effective upon the date of termination for Cause or without Good Reason, all of the unvested portion of your remaining equity would be immediately forfeited.
- f) *For Your Disability or Death.* If your employment terminates as a result of your Disability or death, the Company will pay your Accrued Compensation, Earned Annual Incentive and will provide Continued Vesting of your Long Term Incentive Awards in accordance with the terms of the applicable awards, without regard to any continued employment condition, and your Other Benefits.
- g) *Benefits Bearing.* In no event shall any of the severance payments or benefits provided under this Section 7 be "benefits bearing."
- h) *Clawback.* In the event you breach any of the terms in the Eastman Kodak Company Employee's Agreement, this Agreement or the release described in Section 7(i) below, in addition to and not in lieu of any other remedies that the Company may pursue against you, no further Severance Payments will be made to you pursuant to this Section 7 and you agree to immediately repay to the Company all moneys previously paid to you pursuant to this Section 7.
-

- i) *Timing.* The benefits provided in this Section 7 will begin at the end of your employment, and any cash payments owed to you under this Section 7 will be paid in one lump sum 65 days following your date of termination, except for Severance Payments, which will be made consistently with the Company's normal payroll cycles and begin as soon as administratively practicable after your separation from service. Notwithstanding the foregoing, any Severance Payments owed to you and any Continued Vesting of your Long Term Incentive Awards will only be provided if, at the time of your termination, you provide a release of any and all claims you may have against the Company (other than the rights and benefits provided in Section 5 and the other rights under this Agreement that continue following your employment) in a form reasonably provided by the Company such that you have taken all action necessary for such release to become effective and irrevocable no later than 65 days following your date of termination. You agree that if you become eligible for Severance Payments under this Agreement you will not be entitled to any local severance provisions offered to other Singapore-based employees. Should a court nonetheless award you severance benefits in such circumstances, you agree that the amount of severance payments will be reduced by such award and be immediately repaid to the Company.

## 8. Confidential Information

You acknowledge and agree that confidential information, including, without limitation, Company intellectual property, customer lists and other proprietary business information, obtained by you while employed by the Company or any of its subsidiaries concerning the business affairs of the Company or any subsidiary of the Company are the property of the Company or such subsidiary (hereinafter, "*Confidential Information*"). Consequently, you agree that, except to the extent required by applicable law, statute, ordinance, rule, regulation or orders of courts or regulatory authorities, you shall not at any time (whether during or after your employment) disclose to any unauthorized person or use for your own account any Confidential Information without the prior written consent of the Company, unless and to the extent that the aforementioned matters are or become generally known to and available for use by the public other than as a result of your acts or omissions to act or as required by law. You shall deliver to the Company at the termination of your employment, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) containing or constituting Confidential Information which you may then possess or have under your control. In the event of any inconsistency between the terms of this Section 8 and your Eastman Kodak Company Employee's Agreement, the terms of this Section 8 shall apply.

## 9. On-going Restrictions on Your Activities

- a) *Related Definitions.*
1. "*Competitive Enterprise*" means any business enterprise that derives more than 20% of its revenue from any activity that competes anywhere with any activity that the Company is then engaged in and which activity generates more than 10% of the Company's revenue.
  2. "*Client*" means any client or prospective client of the Company to whom you provided services, or for whom you transacted business, or whose identity became known to you in connection with your relationship with or employment by the Company.
  3. "*Solicit*" means any direct or indirect communication of any kind, regardless of who initiates it, that in any way invites, advises, encourages or requests any person to take or refrain from taking any action.
-

4. For purposes of this Section 9, "Company" means Eastman Kodak Company and its subsidiaries.

- b) *Your Importance to the Company and the Effect of this Section 9.* You acknowledge that:
1. In the course of your involvement in the Company's activities, you will have access to Confidential Information and the Company's client base and will profit from the goodwill associated with the Company. On the other hand, in view of your access to Confidential Information and your importance to the Company, if you compete with the Company for some time after your employment, the Company will likely suffer significant harm. In return for the benefits you will receive from the Company and to induce the Company to enter into this Agreement, and in light of the potential harm you could cause the Company, you agree to the provisions of this Section 9. The Company would not have entered into this Agreement if you did not agree to this Section 9.
  2. This Section 9 may limit your ability to earn a livelihood in a Competitive Enterprise and your relationship with Clients. You acknowledge, however, that complying with this Section 9 will not result in severe economic hardship for you or your family.
- c) *Transition Assistance.* During the 90 days after a Termination Notice has been given, you will take all actions the Company may reasonably request to maintain for the Company the business, goodwill and business relationships with any Clients.
- d) *Non-Competition.* During your employment and for a period of eighteen (18) months following the end of your employment you agree that you will not directly or indirectly engage in (whether as an employee, consultant, agent, proprietor, principal, partner, stockholder, corporate officer, director or otherwise), nor have any material ownership interest in or participate in the financing, operation, management or control of a Competitive Enterprise.
- e) *Non-Solicitation of Clients.* Until the end of the 18 month period following the end of your employment, you will not attempt to Solicit any Client to transact business with a Competitive Enterprise or to reduce or refrain from doing any business with the Company or interfere with or damage any relationship between the Company and a Client.
- f) *Non-Solicitation of Company Employees.* Until the end of the 18 month period following the end of your employment, you will not attempt to Solicit anyone who is then an employee or consultant of the Company (or who was an employee or consultant of the Company within the prior six months) to resign from or cease to provide services to the Company or to apply for or accept employment with any Competitive Enterprise.
- g) *Notice to New Employers.* Before you accept employment with any other person or entity while this Section 9 is in effect, you will provide the prospective employer with written notice of the provisions of this Section 9 and will deliver a copy of the notice to the Company.
- h) *Terms of this Section Control.* In the event of any inconsistency between the terms of this Section 9 and your Eastman Kodak Company Employee's Agreement, the terms of this Section 9 shall control.
-

## 10. Effect on Other Agreements

- a) *Effect on Other Agreements; Entire Agreement.* This Agreement is the entire agreement between you and the Company with respect to the relationship contemplated by this Agreement and supersedes any earlier agreement, written or oral, with respect to the subject matter of this Agreement. In entering into this Agreement, no party has relied on or made any representation, warranty, inducement, promise or understanding that is not in this Agreement.

## 11. Successors

- a) *Assignment by You.* You may not assign this Agreement without the Company's consent. Also, except as required by law, your right to receive payments or benefits under this Agreement may not be subject to execution, attachment, levy or similar process. Any attempt to effect any of the preceding in violation of this Section 11, whether voluntary or involuntary, will be void.
- b) *Assumption by any Surviving Company.* Before the effectiveness of any merger, consolidation, statutory share exchange or similar transaction (including an exchange offer combined with a merger or consolidation) involving the Company (a "Reorganization") or any sale, lease or other disposition (including by way of a series of transactions or by way of merger, consolidation, stock sale or similar transaction involving one or more subsidiaries) of all or substantially all of the Company's consolidated assets (a "Sale"), the Company will cause (1) the Surviving Company to unconditionally assume this Agreement in writing and (2) a copy of the assumption to be provided to you. After the Reorganization or Sale, the Surviving Company will be treated for all purposes as the Company under this Agreement. The "Surviving Company" means (A) in a Reorganization, the entity resulting from the Reorganization or (B) in a Sale, the entity that has acquired all or substantially all of the assets of the Company.

## 12. General Provisions

---

- a) *Administrator.* All compensation and benefits provided under this Agreement will be administered by the Chief Human Resources Officer for the Company (the “*Administrator*”). The Administrator will have total and exclusive responsibility to control, operate, manage and administer such compensation and benefits in accordance with their terms and all the authority that may be necessary or helpful to enable him to discharge his responsibilities with respect to them. Without limiting the generality of the preceding sentence, the Administrator will have the exclusive right to: interpret this Agreement, decide all questions concerning eligibility for and the amount of compensation and benefits payable, construe any ambiguous provision, correct any default, supply any omission, reconcile any inconsistency, and decide all questions arising in the administration, interpretation and application of this Agreement. The Administrator will have full discretionary authority in all matters related to the discharge of his responsibilities and the exercise of his authority, including, without limitation, his construction of the terms of this Agreement and his determination of eligibility for compensation and benefits. It is the intent of the parties hereto, that the decisions of the Administrator and his actions with respect to this Agreement will be final and binding upon all persons having or claiming to have any right or interest in or under this Agreement and that no such decision or actions shall be modified upon judicial review unless such decision or action is proven to be arbitrary or capricious.
  - b) *Withholding.* You and the Company will treat all payments to you under this Agreement as compensation for services. Accordingly, the Company may withhold from any payment any taxes that are required to be withheld under any law, rule or regulation.
  - c) *Confidentiality.* You agree to keep the existence and terms of this Agreement confidential except that you may review it with your financial advisor, attorney, or spouse/partner and with the Administrator.
  - d) *Severability.* If any provision of this Agreement is found by any court of competent jurisdiction (or legally empowered agency) to be illegal, invalid or unenforceable for any reason, then (1) the provision will be amended automatically to the minimum extent necessary to cure the illegality or invalidity and permit enforcement and (2) the remainder of this Agreement will not be affected. In particular, if any provision of Section 8 is so found to violate law or be unenforceable because it applies for longer than a maximum permitted period or to greater than a maximum permitted area, it will be automatically amended to apply for the maximum permitted period and maximum permitted area.
  - e) *No Set-off or Mitigation.* Your and the Company’s respective obligations under this Agreement will not be affected by any set-off, counterclaim, recoupment or other right you or any member of the Company may have against each other or anyone else (except as this Agreement specifically states). You do not need to seek other employment or take any other action to mitigate any amounts owed to you under this Agreement, and those amounts will not be reduced if you do obtain other employment.
-



- f) *Notices.* All notices, requests, demands and other communications under this Agreement must be in writing and will be deemed given (1) on the business day sent, when delivered by hand or facsimile transmission (with confirmation) during normal business hours, (2) on the business day after the business day sent, if delivered by a nationally recognized overnight courier or (3) on the third business day after the business day sent if delivered by registered or certified mail, return receipt requested, in each case to the following address or number (or to such other addresses or numbers as may be specified by notice that conforms to this Section 12(f)):

If to you, to the address stated on the first page of this Agreement.

If to the Company or any other member of the Company, to:  
Eastman Kodak Company  
343 State Street  
Rochester, New York 14650  
Attention: General Counsel

- g) *Amendments and Waivers.* Any provision of this Agreement may be amended or waived but only if the amendment or waiver is in writing and signed, in the case of an amendment, by you and the Company or, in the case of a waiver, by the party that would have benefited from the provision waived. Except as this Agreement otherwise provides, no failure or delay by you or the Company to exercise any right or remedy under this Agreement will operate as a waiver, and no partial exercise of any right or remedy will preclude any further exercise.
- h) *Jurisdiction; Choice of Forum; Costs.* You and the Company irrevocably submit to the exclusive jurisdiction of any state or federal court located in the County of New York over any controversy or claim arising out of or relating to or concerning this Agreement or any aspect of your employment with the Company (together, an "*Employment Matter*"). Both you and the Company (1) acknowledge that the forum stated in this Section 11(h) has a reasonable relation to this Agreement and to the relationship between you and the Company and that the submission to the forum will apply even if the forum chooses to apply non-forum law, (2) waive, to the extent permitted by law, any objection to personal jurisdiction or to the laying of venue of any action or proceeding covered by this Section 12(h) in the forum stated in this Section, (3) agree not to commence any such action or proceeding in any forum other than the forum stated in this Section 12(h) and (4) agree that, to the extent permitted by law, a final and non-appealable judgment in any such action or proceeding in any such court will be conclusive and binding on you and the Company. However, nothing in this Agreement precludes you or the Company from bringing any action or proceeding in any court for the purpose of enforcing the provisions of this Section 12(h). To the extent permitted by law, the Company will pay or reimburse any reasonable expenses, including reasonable attorney's fees, you incur as a result of any Employment Matter.
- i) ***Governing Law.*** This Agreement will be governed by and construed in accordance with the law of the State of New York.
- j) *Counterparts.* This Agreement may be executed in counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement.
-

*[signature page follows]*

---

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

**EASTMAN KODAK COMPANY**

By: /s/ Jeffery J. Clarke  
Name Jeffrey J. Clarke  
Title Chief Executive Officer

**EXECUTIVE**

/s/ Eric Mahe  
Eric Mahe

---

Eastman Kodak Company Employee's Agreement

Exhibit 1

---

**EASTMAN KODAK COMPANY  
EMPLOYEE'S AGREEMENT**

**PREAMBLE**

Eastman Kodak Company and its affiliates and subsidiaries (hereinafter collectively called "Kodak") operate in very competitive environments around the world. As part of your employment, you may from time to time have access to confidential and proprietary company information. This Employee's Agreement governs certain understandings between Kodak and you regarding your work for Kodak, its confidential and proprietary information, and your responsibilities to Kodak including, but not limited to, nondisclosure of Kodak's confidential and proprietary information (as defined in paragraph 1 below), assignment of rights, improper competition (as applicable), and nonsolicitation.

**BACKGROUND**

I understand that Kodak is engaged in the research, development, manufacture, use, marketing and sale of and services related to equipment, materials (including, but not limited to, photographic and other imaging media), software, firmware, components, web applications, multimedia data including, but not limited to, audio information, hardcopy information, digital information (including but not limited to metadata), chemicals, and systems including any of the foregoing (collectively, "Kodak Business"). I also understand that, in connection with the Kodak Business, I will be exposed to and may generate information including, but not limited to, technical, marketing, accounting, cost, sales, medical, personnel data, customer lists, vendor lists, production procedures, administrative and service information (hereinafter collectively "Kodak Proprietary Information"). I further understand that Kodak requires its employees to assign to it all right, title and interest in and to all worldwide inventions, discoveries, improvements, patents, trade secrets, trademarks, mask works, any and all other copyrightable subject matter, and any application for any of the foregoing (hereinafter separately and collectively called "Rights") within or arising out of any field of employment in which they work during their employment by Kodak and for a period of time after termination of employment from Kodak as described more fully below, and that this Agreement is essential for the full protection of the Kodak Business.

Therefore, in consideration of my employment by Kodak and of certain other benefits to be received by me in connection with such employment, it is understood and agreed as follows:

**1. Nondisclosure**

---

During my employment by Kodak, and thereafter, I will not disclose to any person or entity or make use of any Kodak Proprietary Information, trade secret, or other information of a confidential nature regarding the Kodak Business or the commercial, financial, technical or business affairs of Kodak, including such trade secret, proprietary or confidential information of any customer or other entity to which Kodak owes an obligation not to disclose such information, which I acquire during my employment by Kodak, including but not limited to records kept in the ordinary course of business (hereinafter collectively called "Kodak Confidential Information"), except as such disclosure or use may be required in connection with my work as an employee of Kodak. I understand that this restriction prohibits disclosure to Kodak affiliates and subsidiaries in which Kodak owns less than 80% of the stock, unless I receive written authorization for specific disclosures from my management.

## **2. Assignment of Rights**

- 2.1 I hereby sell, assign and transfer to Kodak all of my right, title and interest in and to all Rights that, during my employment by Kodak and within two (2) years following termination of my employment from Kodak, are made or conceived by me, alone or with others, that (i) are within or arise out of any general field of the Kodak Business in which I have been employed or have worked during my employment by Kodak; or (ii) arise out of any work I perform or information I received regarding the Kodak Business which I received while employed by Kodak; or (iii) arise from work that Kodak authorizes me to perform for or on behalf of any person or entity affiliated with Kodak.
- 2.2 While employed in California, no employee will be required to make an assignment of any invention to the extent prohibited by California Labor Code §2870(a) (a copy of which will be made available to any employee upon request)
- 2.3 I will fully disclose to Kodak as promptly as available all information known or possessed by me concerning the Rights referred to in the preceding section 2.1, and upon request by Kodak and without any further remuneration in any form to me by Kodak, but at the expense of Kodak, execute all applications for patents and for copyright registrations, assignments thereof and other instruments and do all things which Kodak deems necessary to vest and maintain in it the entire right, title and interest in and to all such Rights.

## **3. Improper Competition**

- 3.1 The restrictions contained in this section 3 will apply during my employment by Kodak and continue after the termination of my employment for any reason (whether voluntary or involuntary or with or without cause) for a period equal to the total number of months I was employed by Kodak, whether continuously or not, but not for fewer than six (6) months nor more than eighteen (18) months after such termination (the "Post Employment Period").
-

- 3.2 During the period described in section 3.1 following termination of my employment by Kodak, I will, prior to accepting employment with a Competing Business (as defined in section 3.3), inform that Competing Business of the existence of this Agreement and provide a copy to that Competing Business.
- 3.3 While employed by Kodak and during the Post-Employment Period, I will not work, be employed by, consult, advise, assist or engage in any business or activity that: (a) competes with any area of the Kodak Business in or with which I worked at Kodak (a "Competing Business") during the two (2) years immediately preceding termination of my Kodak employment; and (b) involves subject matter(s) about which I gained Kodak Confidential Information during the two (2) years immediately preceding termination of my Kodak employment. Prior to accepting employment, working, consulting, advising or assisting in or with any Competing Business, I agree to: (a) provide such Competing Business with a copy of this Agreement; (b) advise my Kodak supervisor or an appropriate Kodak Human Resources representative of my intent to accept such position; and (c) at Kodak's request, to provide information and/or facilitate Kodak's communication with such Competing Business concerning the nature, scope and responsibilities of such position.
- 3.4 During the Post-Employment Period, the restrictions of section 3.3 will apply only to my work or activities within the relevant geographic area(s) or with the accounts, as defined in this section.
- 3.4.1 If I was employed by Kodak in a sales or service job immediately prior to the termination of my employment, and if my responsibilities were confined to specific territories, accounts, or regions, then the restrictions will apply to: (a) any and all sales or service territories, or regions in which I worked within the two (2) years prior to termination of my employment and, (b) the then existing accounts and prospective accounts of Kodak with which I worked within the two (2) years immediately preceding termination of my employment with Kodak.
- 3.4.2 If, immediately prior to the termination of my Kodak employment: (a) I was employed by Kodak in a sales or service job and my responsibilities were not confined to specific territories, accounts or regions, or (b) if I was employed by Kodak in any other capacity, then the relevant geographic area(s) will consist of the United States and any other country to which my responsibilities extended, unless a narrower geographic area would be sufficient to protect from disclosure the Kodak Confidential Information of which I have knowledge.
- 3.4.3 I understand and agree that the foregoing geographic restrictions are necessary in light of the international scope of the Kodak Business and the business of Kodak's competitors, and that the disclosure or use anywhere of Kodak Confidential Information to or for the benefit of a Competing Business would irreparably harm Kodak.
-

- 3.4.4 If during the Post-Employment Period, this Agreement prohibits me from accepting an offer of full-time employment consistent with my skills, abilities, and education solely because of the provisions of this section 3, and if I provide to Kodak proof of such offer and rejection, the provisions of this section 3 shall thereafter continue to bind me only as long as Kodak pays me, for each month in which I am unable to secure a position consistent with my skills, abilities, and education, an amount equal to 1/12th of my annual total target compensation at the time of termination (exclusive of employee benefits, non-recurring bonuses, vacation pay and/or other special compensation), less any severance, separation or termination benefits or the like that I am entitled to receive from Kodak for the same pay period, and less any compensation I receive during the same period in the form of unemployment insurance or in exchange for any employment, consulting or other work I have undertaken. Any such payments will also be less all amounts that Kodak is required by law to withhold. Notwithstanding anything in this Agreement to the contrary, I understand that if Kodak declines or ceases to make one or more payments to me due to my failure to comply with the restrictions and obligations I have agreed to under the terms of this Agreement, or for any of the reasons enumerated in Section 3.4.6 below, I will not be excused from, and will continue to be subject to, all of the restrictions and obligations set forth in this section 3.
- 3.4.5 In return for any payments made by Kodak under section 3.4.4, I agree to make conscientious, aggressive and continuing efforts to find other employment or income consistent with my skills, abilities and education but not prohibited by this section 3. Within seven (7) days of Kodak's request, I will provide documentation satisfactory to Kodak of my efforts to obtain employment or income, all employment, contracting, or consulting offers I have received during the Post-Employment Period, the amount of any income received from employment (including self-employment), contracting, consulting, or any other work performed by me, and the identity of the employer offering employment, or other entity requesting contracting or consulting services or other work, and any other information or documents reasonably necessary for Kodak to verify my income and employment status.
- 3.4.6 Kodak, at its option and sole discretion, may decline to make post-employment compensation payments:
- (1) for any month during which I, in the reasonable determination of Kodak, have not conscientiously sought employment, or
  - (2) for any month during which I have failed to provide documentation requested by Kodak, as provided for above, or
  - (3) if I breach this Agreement or any other post-employment obligations I may owe Kodak; or
  - (4) if I reject an offer of employment that Kodak does not deem to be in violation of section 3.3 above; or
-



(5) by giving me written permission to accept available employment or by giving me a written release from some or all of the obligations of section 3 of this Agreement (in which case, the terms of such release shall govern my obligations for the remainder of the Post-Employment Period); or

(6) if I am terminated from Kodak or any subsequent employment, contracting, or consulting engagement "for cause," which as defined herein includes, but is not limited to, the following:

- neglect of duties, failure to follow policies or supervisor's directives, or insubordination;
- dishonesty, deception, fraud, or breach of trust or loyalty in connection with the affairs of an employer;
- conviction of any felony, gross misdemeanor, or misdemeanor, other than a minor traffic offense;
- any act or omission in the scope of employment that places an employer in violation of any applicable law or regulation; or
- breach of any of the material terms or conditions contained in this Agreement.

3.5 I understand that this section 3 will not be effective at any time during which I am employed by Kodak in the State of California.

#### **4. Nonsolicitation**

During my Kodak employment and for a period of one (1) year after termination of my employment for any reason (whether voluntarily or involuntarily or with or without cause), I will not, directly or indirectly, either for myself or for the benefit of any other person or entity: (i) induce or attempt to induce any employee of Kodak to leave the employ of Kodak, (ii) in any way interfere with the relationships between Kodak and any employee of Kodak, (iii) employ or otherwise engage as an employee, independent contractor or otherwise, any person who has been an employee of Kodak during the six months immediately preceding such employment or (iv) solicit, entice, call upon or in any way for the purpose of diverting or taking away or attempting to divert or take away any of Kodak's customers and suppliers to do business with a Competing Business.

#### **5. Return of Property**

I agree that, upon termination of my employment for any reason (whether voluntary or involuntary or with or without cause), I will immediately return to Kodak, (i) all Kodak Confidential Information in any form (including without limitation printed, handwritten, and electronically-stored materials or information), together with all copies, thereof, within my possession, custody or control and; (ii) all other Kodak property in my possession, custody or control, including, but not limited to, office keys, identification badges or passes, Kodak credit cards, automobiles, computer equipment and software ("Kodak Property"). Under no circumstances will I deliver or give such Kodak Confidential Information or Kodak Property to any person or entity without Kodak management's advance written permission and, upon Kodak's request, I will verify that I have not done so.

---

## 6. At-Will Employment

I understand that, regardless of any statement made to me or contained in any handbook, policy statement, or other document, my employment will be "at-will". That is, I will be free to terminate my employment at any time, for any reason, and Kodak is free to do the same. No other agreement relating to this issue will be effective unless it is contained in a written agreement which: (1) mentions me by name; (2) references this Agreement by name and date; (3) specifically acknowledges that it is intended to amend this Agreement; and (4) is signed by a Kodak corporate officer and me.

## 7. Business Conduct

I understand that Kodak is an ethical company and that I am required to adhere to Kodak's policies and procedures regarding ethical business practices, including but not limited to, Kodak's conflict of interest policy and policies concerning the protection of Kodak Confidential Information. I understand that my failure to do so constitutes a breach of this Agreement.

## 8. Miscellaneous

- 8.1 I agree that Kodak has provided me with valuable consideration for accepting the terms and conditions set forth in this Agreement, including those set forth in section 3. Among other things, that consideration includes my employment and/or continued employment and certain benefits to be received by me in connection with such employment, some of which may be conditioned upon a validly executed Employee's Agreement.
- 8.2 This Agreement replaces any and all previous agreements relating to the same or similar matters that I may have entered into with Kodak with respect to my present or any future period of employment by Kodak. Further, the terms of this Agreement shall inure to the benefit of the successors and assigns of Kodak and shall be binding upon my heirs, assigns, administrators and representatives. No oral agreement, statement or representation shall be effective to alter the terms of this Agreement.
- 8.3 I understand and agree that a breach of the provisions of this Agreement will cause Kodak irreparable injury that may not be compensable by receipt of money damages. I, therefore, expressly agree that Kodak shall be entitled, in addition to any other remedies legally available, to injunctive and/or other equitable relief, including but not limited to temporary, preliminary and/or permanent injunctive relief, to prevent or remedy a breach of this Agreement, or any part hereof, and to payment of reasonable attorney's fees it incurs in enforcing this Agreement.
- 8.4 If any one or more of the provisions of this Agreement shall be found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. If any one or more of the provisions of this Agreement is for any reason held unacceptably broad, it shall be
-

construed or rewritten (blue-lined) so as to be enforceable to the extent of the greatest protection to Kodak under existing law.

8.5 All titles or headings in this agreement are for convenience only and shall not affect the meaning of any provision herein.

8.6 THIS AGREEMENT IS ENTERED INTO IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO PRINCIPALS OF CONFLICT OF LAWS. I UNDERSTAND AND AGREE THAT ANY ACTION OR PROCEEDING UNDER, IN CONNECTION WITH OR RELATING TO, THIS AGREEMENT SHALL BE BROUGHT IN AND ADJUDICATED BY THE UNITED STATES DISTRICT COURT, WESTERN DISTRICT OF NEW YORK IN ROCHESTER, NEW YORK, UNLESS THERE IS NO BASIS FOR FEDERAL JURISDICTION, IN WHICH CASE SUCH ACTION OR PROCEEDING SHALL BE BROUGHT IN AND ADJUDICATED BY THE STATE OF NEW YORK, SUPREME COURT, COUNTY OF MONROE.

Dated \_\_\_\_\_, 201\_\_

\_\_\_\_\_  
Signature of Employee

\_\_\_\_\_  
Global I.D.

\_\_\_\_\_  
Employee Name (Print or Type)

\_\_\_\_\_  
Address

---

**Eric Mahe**  
**Employment Agreement Terms Schedule**

<i>Effective Date</i>	June 11, 2018
<i>Position</i>	President, Consumer and Film Division and Senior Vice President, Eastman Kodak Company
<i>Base Salary</i>	<b>SGD 660,000</b>
<i>Annual Cash Performance Incentive under Company's Executive Compensation for Excellence and Leadership (EXCEL) Plan<sup>1</sup></i>	The target level for your Annual Incentive will be <u>60%</u> of your Base Salary.  The maximum payout under the EXCEL Plan is 200%.  Total Target Cash Compensation is <b>SGD 1,056,000</b> .
<i>2018 Additional Equity Grant</i>	<b>\$200,000</b> granted on the Effective Date <ul style="list-style-type: none"> <li>•50% RSUs and 50% NQSOs</li> <li>•Three-year vesting in equal installments</li> <li>•Modified accelerated vesting terms</li> </ul>
<i>Long-Term Incentive Compensation</i>	Target award for annual equity grant: <b>\$350,000<sup>2</sup></b> with an annual grant date of April 28th
<i>Housing Allowance and Travel Expenses</i>	Local Singapore Practice
<i>Severance Multiplier</i>	<b>1X</b> Base Salary
<i>Change of Control</i>	In the case of a Change of Control event followed by an involuntary termination <sup>3</sup> within two years following the Change of Control, severance would be paid after the 409 (a) waiting period.
<i>Additional Benefits</i>	Up to four weeks vacation.
<i>Standard Benefits</i>	Local Singapore Practice

<sup>1</sup>EXCEL Plan performance metrics are determined annually by the Executive Compensation Committee

<sup>2</sup>Equity vesting is over a three-year period with the form of equity to be determined by the Executive Compensation Committee (may be in time-based Restricted Stock units, performance-based Restricted Stock units or Stock Options)

<sup>3</sup>Leaving Reasons and associated eligibility are reviewed and approved by the Executive Compensation Committee

## CERTIFICATION

I, Jeffrey J. Clarke, certify that:

- 1) I have reviewed this Form 10-Q;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jeffrey J. Clarke  
Jeffrey J. Clarke  
Chief Executive Officer

Date: August 9, 2018

## CERTIFICATION

I, David E. Bullwinkle, certify that:

- 1) I have reviewed this Form 10-Q;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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

Date: August 9, 2018

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

In connection with the Quarterly Report of Eastman Kodak Company (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey J. Clarke, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey J. Clarke  
Jeffrey J. Clarke  
Chief Executive Officer

Date: August 9, 2018

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

In connection with the Quarterly Report of Eastman Kodak Company (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David E. Bullwinkle, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: August 9, 2018



