SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): July 23, 2003

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

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

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

Registrant's telephone number, including area code (585) 724-4000

Item 7. Financial Statements and Exhibits

(c) Exhibits

Exhibit 99.1	Press release issued July 23, 2003 regarding financial results for second quarter of 2003	Furnished with this document
Exhibit 99.2	Financial discussion document issued July 23, 2003 regarding financial results for second quarter of 2003	Furnished with this document

Item 9. Regulation FD Disclosure

In accordance with Securities and Exchange Commission Release No. 33-8126, the following information, which is intended to be furnished under Item 12, "Results of Operations and Financial Condition," is instead being furnished under Item 9, "Regulation FD Disclosure." This information, including the exhibits attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On July 23, 2003, Eastman Kodak Company issued a press release and a supplemental financial discussion document describing its financial results for its second fiscal quarter ended June 30, 2003. Copies of the press release and financial discussion document are attached as Exhibits 99.1 and 99.2, respectively, to this report.

Within the Company's second quarter 2003 press release and financial discussion document, the Company makes reference to certain non-GAAP financial measures including "Income from continuing operations, excluding non-operational items", "Operating cash flow", "Operating cash flow before acquisitions" and "Free cash flow", which have a directly comparable GAAP financial measure, and to certain calculations that are based on non-GAAP financial measures, including "Days sales outstanding" and "Days supply in inventory." The Company believes that these measures represent important internal measures of performance. Accordingly, where these non-GAAP measures are provided, it is done so that investors have the same financial data that management uses with the belief that it will assist the investment community in properly assessing the underlying performance of the company on a year-over-year and quarter-sequential basis. Whenever such information is presented, the Company has complied with the provisions of the rules under Regulation G and Item 12 of Form 8-K. The specific reasons, in addition to the reasons described above, why the Company's management believes that the presentation of the non-GAAP financial measures provides useful information to investors regarding Kodak's financial condition, results of operations and cash flows are as follows:

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

Operating cash flow / Operating cash flow before acquisitions/ Free cash flow - The Company believes that the presentation of operating cash flow, operating cash flow before acquisitions and free cash flow is useful information to investors as they facilitate the comparison of cash flows between reporting periods. In addition, management utilizes these measures as tools to assess the Company's ability to repay debt and repurchase its own common stock, after it has satisfied its working capital needs, dividends, and funded capital expenditures, acquisitions and investments. The operating cash flow before acquisitions measure equals the operating cash flow measure excluding the impact of acquisitions, while the free cash flow measure equals the operating cash flow measure excluding the impact of dividend payments. Accordingly, the Company believes that the presentation of this information is useful to investors as it provides them with the same data as management uses to facilitate their assessment of the Company's cash position.

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

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

SIGNATURES

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

EASTMAN KODAK COMPANY

By: /s/ Robert P. Rozek
Name: Robert P. Rozek
Title: Controller

Date: July 23, 2003

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued July 23, 2003 regarding financial results for second quarter 2003
99.2	Financial discussion document issued July 23, 2003 regarding financial results for second quarter 2003

Exhibit 99.1

Kodak Reports 2nd-Quarter Net Income of 39 Cents Per Share

Sales Unchanged at $3.352 Billion

ROCHESTER, N.Y.--(BUSINESS WIRE)--July 23, 2003--

EPS from Continuing Operations, Excluding Charges and Other Items, Total 60 Cents

Eastman Kodak Company today said that second-quarter net income, in accordance with Generally Accepted Accounting Principles (GAAP) in the U.S., totaled 39 cents per share and that sales were unchanged compared with the year-ago period.

Excluding the impact of previously announced focused cost reductions and other non-operational items, earnings from continuing operations were 60 cents per share, higher than the forecast of 25 cents to 35 cents per share that the company issued on June 18. Relative to the June 18 forecast, the actual results primarily reflect a more favorable sales mix of health imaging and traditional consumer products and services. Better-than-expected performance from joint ventures and a lower-than-expected tax rate also contributed to the difference between actual and forecasted results.

For the second quarter of 2003:

-- Sales totaled $3.352 billion, unchanged from the second quarter of 2002. Excluding foreign exchange, sales declined 6%.

-- The company reported net income of $112 million, or 39 cents per share, compared with net income of $284 million, or 97 cents per share, in the second quarter of 2002.

-- Earnings from continuing operations, excluding the impact of focused cost reductions and other non-operational items, were $172 million, or 60 cents per share. The after-tax non-operational items include a charge of $36 million, or 13 cents per share, related to the previously announced focused cost reductions; a charge of $9 million, or 3 cents per share, in connection with the settlement of a patent infringement claim; a charge of $9 million, or 3 cents per share, in connection with a prior-year acquisition; and a charge of $6 million, or 2 cents per share, to write down certain assets held for sale following the acquisition of the Burrell companies. In the second quarter of 2002, earnings from continuing operations, excluding non-operational items, totaled $250 million, or 86 cents per share. The after-tax, non-operational items from the year-ago quarter include a one-time tax benefit totaling 15 cents per share resulting from the closure of a subsidiary, and a one-time write-down of assets associated with venture investments totaling 3 cents per share.

"We are pleased to report quarterly earnings that are stronger than we had previously expected," said Kodak Chairman and Chief Executive Officer Daniel A. Carp. "Most of our businesses continue to perform well in a difficult economic environment. We are encouraged by the market's acceptance of the innovative products and services Kodak is creating - from our latest computed radiography systems and Vision2 motion-picture film, to the newest EasyShare consumer digital cameras and the well-received EasyShare Printer Dock."

"Our traditional consumer film and processing operations continue to face challenges associated with the increasing popularity of digital photography as well as persistent economic weakness, continuing price pressure and an associated decline in travel and tourism," Carp said. "Consumer adoption of digital photography is growing at a more rapid pace than a year ago, and this is trimming demand for consumer film. At the same time, we are seeing evidence that more consumers want to print their digital photos at retail and at home. This trend presents a huge opportunity for Kodak to generate profitable sales of our market-leading Picture Maker kiosks and inkjet paper, which will help offset declining sales from traditional film.

"Given these developments, we remain cautious about a material upturn in the traditional consumer products and services for the balance of 2003," Carp said. "In this environment, we remain committed to reducing costs aggressively, strengthening our balance sheet and bringing to market more innovative products for the benefit of our customers."

Other second-quarter 2003 details from continuing operations:

- Kodak's operating cash flow was lower than the year-ago quarter, primarily reflecting lower net income from continuing operations, increased incentive compensation payments earned in 2002, including wage dividend, and a larger year-over-year increase in accounts receivable.

- For the quarter, operating cash flow was a negative $53 million, compared with a positive $302 million in the second quarter of 2002. The $53 million use of cash in the second quarter of 2003 included acquisitions of $34 million, while the year- ago quarter included no acquisitions. (Kodak defines operating cash flow as net cash provided by continuing operations, as determined under GAAP, plus proceeds from the sale of assets minus capital expenditures, acquisitions, investments in unconsolidated affiliates and dividends.)

- The company's debt totaled $2.990 billion at the end of the quarter, compared with $3.053 billion in the year-ago quarter. The company held $838 million in cash on its balance sheet at the end of the quarter, up from $524 million at the end of the second quarter of 2002.

- Gross profit on an operational basis was 33.6%, compared with 37.6% in the year-ago period.

- Selling, general and administrative expenses on an operational basis were 20.3% of sales, up from 19.4% in the year-ago quarter.

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

- Photography segment sales totaled $2.341 billion, down 2%. The segment had earnings from operations of $119 million on an operational and GAAP basis, compared with earnings from operations of $257 million a year ago. Highlights for the quarter included a 65% increase in consumer digital camera sales, and an 18% increase in sales of motion-picture origination and print film.

- Health Imaging segment sales were $607 million, up 7%. Earnings from operations on an operational and GAAP basis for the segment were $131 million, up from $112 million in the year-ago period. Highlights included higher-than-expected sales of digital radiography, computed radiography and Picture Archiving and Communications Systems (PACS).

- Commercial Imaging segment sales were $382 million, up 6%. Earnings from operations on an operational and GAAP basis were $40 million, compared with $53 million in the year-ago period.

- All Other sales were $22 million, down from $28 million. Losses from operations on an operational and GAAP basis totaled $22 million, compared with losses of $6 million in the year-ago period. The All Other category includes the Kodak Display business, as well as Sensors, Optics and miscellaneous businesses.

Earnings Outlook:

- Given the extraordinary volatility of the current environment, reflecting global economic weakness, international conflict as well as the shifting mix of the portfolio of products sold, the company expects operational earnings of $0.85 to $1.15 per share, and GAAP earnings of $0.25 to $0.65 per share, for the second half of 2003.

"As the results today indicate, our employees are succeeding in a marketplace where change is constant and rapid," Carp said. "For example, we expect that sales of our Digital & Applied Imaging products and services - which include inkjet paper, the Ofoto online photo service and EasyShare cameras and docks - will top more than $1 billion this year. Our Health Imaging segment continues to post strong results as digital products and services account for an increasing share of its sales."

"The performance of these businesses point to a fundamental shift at Kodak," Carp said. "We are evolving from a historical film company into one that is aggressively pursuing the vast potential of digital imaging across all of our operations. We are extending the Kodak brand into the digital age so that we become known as the world's leading imaging company, building on our proud heritage as the world's leading picture company. And during this evolution, we will create new products and services with different business models but with a potential for growth that is far beyond that of our more mature operations.

"We will do this in markets that are global and intensely competitive," Carp said. "They reward companies that increase productivity, reduce costs and move fast to take advantage of marketplace opportunities. Additionally, our historical consumer business is getting smaller, so it is vital that the cost structure of this business reflects that reality. We will continue to shape our company so that we remain competitive for a future in a digital world."

Consistent with this business reality, Kodak plans to reduce its cost structure. The reductions will occur primarily in corporate administrative departments, manufacturing, and research and development. In addition, reductions will occur in the infrastructure and administration supporting the Consumer Imaging and Kodak Professional operations.

Based on preliminary plans, Kodak expects to reduce employment by a range of 4,500 to 6,000, beginning later this year. This estimated reduction represents about 6% to 9% of the company's worldwide employment base of about 70,000 at the end of 2002. In keeping with past practice and consistent with requirements in various countries, the company will offer severance packages and outplacement services to those affected.

The company will take charges during the next twelve months in the range of $350 million to $450 million to cover the costs associated with the new reductions. The company expects to generate annual savings of $300 million to $400 million from the new reductions, with $275 million to $325 million expected to be realized in 2004.

"Being a global company means taking actions that maintain and extend our competitive position," Carp said. "While we can't know for certain when the economy will rebound, we do know that the market forces demanding lower costs, flexible manufacturing strategies and speed to market will not abate. We also are looking at a wide range of alternative cost reduction efforts, including health care, travel and general budget reductions. The combination of these actions will help Kodak become more profitable and more agile as we compete for a larger slice of the $385 billion infoimaging market that we serve."

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

Certain statements in this press release may be forward looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to the Company's second half 2003 revenue, earnings, cash flow expectations and future focused cost reductions are forward-looking statements.

Actual results may differ from those expressed or implied in forward-looking statements. In addition, any forward-looking statements represent our estimates only as of July 23, 2003, and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change. The forward-looking statements contained in this press release are subject to a number of risk factors, including the successful:

-- Implementation of product strategies (including category expansion, digitization, OLED, and digital products);

-- Implementation of intellectual property licensing strategies;

-- Development and implementation of e-commerce strategies;

-- Completion of information systems upgrades, including SAP;

-- Completion of various portfolio actions;

-- Reduction of inventories;

-- Improvement in manufacturing productivity;

-- Improvement in receivables performance;

- Reduction in capital expenditures;
- Improvement in supply chain efficiency;
- Implementation of future focused cost reductions, including personnel reductions;
- Development of the Company's business in emerging markets like China, India, Brazil, Mexico, and Russia.

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

- Inherent unpredictability of currency fluctuations and raw material costs;
- Competitive actions, including pricing;
- The nature and pace of technology substitution, including the analog-to-digital shift;
- Continuing customer consolidation and buying power;
- General economic, geo-political, public health and business conditions.
- Other factors disclosed previously and from time to time in the Company's filings with the Securities and Exchange Commission.

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

Editor's Note: For additional information about Kodak, visit our web site on the Internet at: www.kodak.com/

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

	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
Net sales	$3,352	$3,336	$6,092	$6,042
Cost of goods sold	2,236	2,082	4,152	3,928
Gross profit	1,116	1,254	1,940	2,114
Selling, general and administrative expenses	716	656	1,282	1,196
Research and development costs	179	192	373	379
Restructuring costs and other	44	-	76	-
Earnings from continuing operations before interest, other charges, and income taxes	177	406	209	539
Interest expense	34	44	71	88
Other charges	9	22	30	53
Earnings from continuing operations before income taxes	134	340	108	398
Provision (benefit) for income taxes	22	54	(1)	71
Earnings from continuing operations	112	286	109	327
Earnings (loss) from discontinued operations, net of income tax benefits for the three and six months ended June 30, 2002 of $1 and $2, respectively	-	(2)	15	(4)
NET EARNINGS	$ 112	$ 284	$ 124	$ 323

Basic and diluted net earnings (loss) per share:				
Continuing operations	$ .39	$ .98	$ .38	$ 1.12
Discontinued operations	.00	(.01)	.05	(.01)
Total	$ .39	$ .97	$ .43	$ 1.11
Number of common shares used in basic earnings (loss) per share	286.5	291.7	286.4	291.5
Incremental shares from assumed conversion of options	0.1	0.1	0.2	0.1
Number of common shares used in diluted earnings (loss) per share	286.6	291.8	286.6	291.6
Cash dividends per share	$ .90	$ .90	$ .90	$ .90

SUPPLEMENTAL INFORMATION - UNAUDITED
(in millions)

	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
Provision for depreciation	$ 193	$ 201	$ 395	$ 386
After-tax exchange losses and effect of translation of net monetary items	(5)	(1)	(5)	(12)
Cash dividends declared	258	262	258	262
Capital expenditures	125	112	236	204

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

	Three Months Ended June 30			Six Months Ended June 30		
	2003	2002	Change	2003	2002	Change
Photography						
Inside the U.S.	$ 972	$1,083	-10%	$1,659	$1,882	-12%
Outside the U.S.	1,369	1,295	+ 6	2,480	2,310	+ 7
Total Photography	2,341	2,378	- 2	4,139	4,192	- 1
Health Imaging						
Inside the U.S.	266	270	- 1	504	518	- 3
Outside the U.S.	341	299	+14	652	572	+14
Total Health Imaging	607	569	+ 7	1,156	1,090	+ 6
Commercial Imaging						
Inside the U.S.	221	204	+ 8	434	393	+10
Outside the U.S.	161	157	+ 3	320	315	+ 2
Total Commercial Imaging	382	361	+ 6	754	708	+ 6
All Other						
Inside the U.S.	11	16	-31	22	27	-19
Outside the U.S.	11	12	- 8	21	25	-16

Total All Other	22	28	-21	43	52	-17
Total Net Sales	$3,352	$3,336	0%	$6,092	$6,042	+ 1%

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

	Three Months Ended June 30			Six Months Ended June 30		
	2003	2002	Change	2003	2002	Change
Photography	$ 119	$ 257	-54%	$ 73	$ 273	-73%
Percent of Sales	5.1%	10.8%		1.8%	6.5%	
Health Imaging	$ 131	$ 112	+17%	$ 240	$ 188	+28%
Percent of Sales	21.6%	19.7%		20.8%	17.2%	
Commercial Imaging	$ 40	$ 53	-25%	$ 84	$ 101	-17%
Percent of Sales	10.5%	14.7%		11.1%	14.3%	
All Other	$ (22)	$ (6)		$ (39)	$ (13)	
Percent of Sales	(100.0%)	(21.4%)		(90.7%)	(25.0%)	
Total of segments	$ 268	$ 416	-36%	$ 358	$ 549	-35%
Percent of Sales	8.0%	12.5%		5.9%	9.1%	
Venture investment impairments	-	(10)		-	(10)	
Impairment of Burrell Companies' net assets held for sale	(9)	-		(9)	-	
Restructuring costs and other	(54)	-		(100)	-	
GE settlement	-	-		(12)	-	
Patent infringement claim settlement	(14)	-		(14)	-	
Prior year acquisition settlement	(14)	-		(14)	-	
Total	$ 177	$ 406	-56%	$ 209	$ 539	-61%
Percent of Sales	5.3%	12.2%		3.4%	8.9%	

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

	Three Months Ended June 30			Six Months Ended June 30		
	2003	2002	Change	2003	2002	Change
Photography	$ 87	$ 175	-50%	$ 52	$ 178	-71%
Percent of Sales	3.7%	7.4%		1.3%	4.2%	
Health Imaging	$ 101	$ 82	+23%	$ 181	$ 132	+37%
Percent of Sales	16.6%	14.4%		15.7%	12.1%	
Commercial Imaging	$ 25	$ 25	0%	$ 45	$ 49	- 8%
Percent of Sales	6.5%	6.9%		6.0%	6.9%	
All Other	$ (17)	$ (4)		$ (31)	$ (10)	
Percent of Sales	(77.3%)	(14.3%)		(72.1%)	(19.2%)	
Total of segments	$ 196	$ 278	-29%	$ 247	$ 349	-29%
Percent of Sales	5.8%	8.3%		4.1%	5.8%	
Venture investment impairments	-	(13)		-	(13)	
Impairment of Burrell Companies' net assets held for sale	(9)	-		(9)	-	

Restructuring costs and other	(54)	-		(100)	-	
GE settlement	-	-		(12)	-	
Patent infringement claim settlement	(14)	-		(14)	-	
Prior year acquisition settlement	(14)	-		(14)	-	
Interest expense	(34)	(44)		(71)	(88)	
Other corporate items	3	3		6	5	
Tax benefit - PictureVision subsidiary closure	-	45		-	45	
Tax benefit - donation of patents	-	-		8	-	
Income tax effects on above items and taxes not allocated to segments	38	17		68	29	
Consolidated total	$112	$286	-61%	$109	$327	-67%
Percent of Sales	3.3%	8.6%		1.8%	5.4%	

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

	June 30, 2003 (Unaudited)	Dec. 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 838	$ 569
Receivables, net	2,462	2,234
Inventories, net	1,190	1,062
Deferred income taxes	512	512
Other current assets	157	157
Total current assets	5,159	4,534
Property, plant and equipment, net	5,289	5,420
Goodwill, net	992	981
Other long-term assets	2,636	2,559
TOTAL ASSETS	$14,076	$13,494

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	$ 3,538	$ 3,351
Short-term borrowings	1,474	1,442
Accrued income taxes	604	709
Total current liabilities	5,616	5,502
OTHER LIABILITIES		
Long-term debt, net of current portion	1,516	1,164
Postretirement liabilities	3,455	3,412
Other long-term liabilities	635	639
Total liabilities	11,222	10,717
SHAREHOLDERS' EQUITY		
Common stock at par	978	978
Additional paid in capital	849	849
Retained earnings	7,462	7,611
Accumulated other comprehensive loss	(572)	(771)
Unearned restricted stock	(7)	-
	8,710	8,667
Less: Treasury stock at cost	5,856	5,890
Total shareholders' equity	2,854	2,777
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$14,076	$13,494

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

	Six Months Ended June 30	
	2003	2002
Cash flows relating to operating activities:		
Net earnings	$ 124	$ 323
Adjustments to reconcile to net cash provided by operating activities:		
(Gain) loss from discontinued operations	(15)	4
Equity in losses from unconsolidated affiliates	30	48
Depreciation and amortization	395	386
Restructuring costs, asset impairments and other non-cash charges	37	-
Provision for deferred taxes	16	-
Increase in receivables	(196)	(117)
Increase in inventories	(60)	(13)
Decrease in liabilities excluding borrowings	(217)	(106)
Other items, net	100	9
Total adjustments	90	211
Net cash provided by continuing operations	214	534
Net cash provided by (used in) discontinued operations	19	(6)
Net cash provided by operating activities	233	528
Cash flows relating to investing activities:		
Additions to properties	(236)	(204)
Acquisitions, net of cash acquired	(88)	(6)
Investments in unconsolidated affiliates	(41)	(68)
Marketable securities - purchases	(44)	(55)
Marketable securities - sales	43	29
Net cash used in investing activities	(366)	(304)
Cash flows relating to financing activities:		
Net increase in borrowings with original maturity of 90 days or less	129	113
Proceeds from other borrowings	715	515
Repayment of other borrowings	(466)	(778)
Exercise of employee stock options	12	2
Net cash provided by (used in) financing activities	390	(148)
Effect of exchange rate changes on cash	12	-
Net increase in cash and cash equivalents	269	76
Cash and cash equivalents, beginning of year	569	448
Cash and cash equivalents, end of quarter	$ 838	$ 524

CONTACT: Eastman Kodak Company
Gerard Meuchner, 585-724-4513
gerard.meuchner@kodak.com
or
Anthony Sanzio, 585-781-5481
anthony.sanzio@kodak.com

Exhibit 99.2

Eastman Kodak Company Financial Discussion Document
Second Quarter 2003 Results

2003 COMPARED WITH 2002

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

Second Quarter

Consolidated Revenues:

Net worldwide sales were $3.352 billion for the second quarter of 2003 as compared with $3.336 billion for the second quarter of 2002, representing an increase of $16 million, a decrease of 6% excluding the favorable impact of exchange. The increase in net sales was comprised of:

-- Volume: decreases in volume reduced second quarter sales by approximately 2.0 percentage points driven primarily by consumer traditional film and photofinishing.

-- Price/Mix: declines in price/mix reduced second quarter sales by approximately 4.0 percentage points, primarily driven by consumer film and photofinishing and consumer digital cameras.

-- Exchange: favorable exchange of approximately 6.0 percentage points offset the negative impacts of price/mix and volume.

Net sales in the U.S. were $1.470 billion for the second quarter of 2003 as compared with $1.573 billion for the prior year quarter, representing a decrease of $103 million, or 7%. Net sales outside the U.S. were $1.882 billion for the current quarter as compared with $1.763 billion for the second quarter of 2002, representing an increase of $119 million, or 7% as reported, a decrease of 4% excluding the favorable impact of exchange.

Non-U.S. Revenues:

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

Net sales in the EAMER region were $1.045 billion for the second quarter of 2003 as compared with $932 million for the prior year quarter, representing an increase of $113 million or 12% as reported, a decrease of 4% excluding the favorable impact of exchange.

Net sales in the Asia Pacific region were $537 million for the current quarter as compared with $557 million for the prior year quarter, representing a decrease of $20 million, or 4% as reported, a decrease of 9% excluding the favorable impact of exchange.

Net sales in the Canada and Latin America region were $300 million in the current quarter as compared with $274 million for the second quarter of 2002, representing an increase of $26 million, or 9% as reported, an increase of 5% excluding the favorable impact of exchange.

Emerging Markets:

The Company's major emerging markets include China, Brazil, India, Mexico, Russia, Korea, Hong Kong and Taiwan. Net sales in emerging markets were $602 million for the second quarter of 2003 as compared with $605 million for the prior year quarter, a decrease of 4% excluding the favorable impact of exchange. The emerging market portfolio accounted for approximately 18% of Kodak's worldwide sales and 32% of Kodak's non-U.S. sales in the quarter. Sales growth in Russia, India and Mexico of 32%, 12% and 1%, respectively, was offset by declines in China and Brazil of 19% and 12%, respectively.

The increase in sales in Russia is the result of Kodak Express and new channel expansion for Kodak products and services. Sales increases in India were driven by the continued success of camera seeding and Photoshop expansion programs. Sales declines in China resulted from the impact of SARS particularly for consumer and professional products and services. Declines in Brazil are reflective of continued economic weakness.

Gross Profit:

GAAP:

Gross profit was $1.116 billion for the second quarter of 2003 as compared with $1.254 billion for the second quarter of 2002, representing a decrease of $138 million, or 11%. The gross profit margin was 33.3% in the current quarter as compared with 37.6% in the prior year quarter. The 4.3 percentage point decrease was primarily attributable to:

-- Price/Mix: price/mix declines reduced gross profit margins by 3.5 percentage points. These declines relate primarily to consumer film and consumer digital cameras.

-- Productivity/Cost: manufacturing productivity/cost negatively impacted gross profit margins by approximately 2.0 percentage points.

-- Exchange: favorably impacted gross profit margins by 1.0 percentage point.

Operational:

Excluding accelerated depreciation of $7 million and inventory write-downs of $3 million relating to focused cost reduction actions, gross profit on an operational basis was $1.126 billion for the second quarter of 2003 as compared with $1.254 billion for the second quarter of 2002, representing a decrease of $128 million, or 10%. The gross profit margin was 33.6% in the current quarter as compared with 37.6% in the prior year quarter. The 4.0 percentage point decrease was primarily attributable to:

-- Price/Mix: price/mix declines reduced gross profit margins by 3.5 percentage points. These declines relate primarily to consumer film and consumer digital cameras.

-- Productivity/Cost: manufacturing productivity/cost negatively impacted gross profit margins by approximately 2.0 percentage points.

-- Exchange: favorably impacted gross profit margins by 1.0 percentage point.

Selling, General and Administrative Expenses:

GAAP:

Selling, general and administrative expenses (SG&A) were $716 million for the second quarter of 2003 as compared with $656 million for the prior year quarter, representing an increase of $60 million, or 9%. SG&A increased as a percentage of sales from 19.7% for the second quarter of 2002 to 21.4% for the current quarter. The increase in SG&A is attributable to the following:

-- A charge of $14 million relating to a patent infringement claim.

-- A charge of $14 million associated with the settlement of outstanding issues relating to a prior year acquisition.

-- A charge of $9 million associated with the write-down of the Burrell Companies' net assets held for sale.

-- Unfavorable exchange of $34 million.

Operational:

Excluding the charges noted above, SG&A expenses on an operational basis were $679 million for the second quarter of 2003 as compared with $646 million for the prior year quarter, representing an increase of $33 million, or 5%. The increase in SG&A is attributable to unfavorable exchange of $34 million. As a percentage of sales, SG&A increased from 19.4% for the second quarter of 2002 to 20.3% for the current quarter.

Research and Development Costs:

Research and Development costs (R&D) were $179 million for the second quarter of 2003 as compared with $192 million for the second quarter of 2002, representing a decrease of $13 million, or 7%. R&D decreased as a percentage of sales from 5.8% for the second quarter of 2002 to 5.3% for the current quarter. The net decrease in R&D is the result of cost savings realized from position eliminations associated with the prior year's cost reduction programs.

Cost Reduction Plans:

As announced in the fourth quarter of 2002 and the first quarter of 2003, Kodak has implemented a series of cost reduction actions resulting in pre-tax charges totaling $54 million or $.13 per share in the second quarter. The components of restructuring in the second quarter include $21 million for employee severance relating to the elimination of approximately 525 positions, $17 million relating to the dissolution of the Phogenix joint venture and $9 million associated with inventory write-downs, business exits and asset impairments. In addition, the company recorded accelerated depreciation of $7 million during the quarter associated with assets to be disposed of in connection with the relocation of certain manufacturing operations.

Currently, the company is being adversely impacted by negative global economic conditions and a progressing digital transition. As the company continues to adjust its operating model in light of changing business conditions, it is probable that ongoing cost reduction activities will be required from time to time.

Over the next twelve months, Kodak intends to implement a series of cost reduction actions, which are expected to result in pre-tax charges totaling $350 million to $450 million. It is anticipated that these actions will result in a reduction of approximately 4,500 to 6,000 positions worldwide primarily relating to the rationalization of global manufacturing assets, reduction of corporate administration and R&D, and the consolidation of the infrastructure and support relating to the company's consumer and professional products and services. The anticipated annual savings from these actions are expected to total $300 million to $400 million, with $275 million to $325 million expected to be realized in 2004.

Earnings From Operations:

GAAP:

Earnings from operations (EFO) for the second quarter of 2003 were $177 million as compared with $406 million for the second quarter of 2002, representing a decrease of $229 million, or 56%. This decrease is attributable to the reasons indicated above.

Operational:

Excluding charges for cost reduction actions and charges relating to a patent infringement claim, a prior year acquisition and asset write-downs, EFO on an operational basis for the second quarter of 2003 were $268 million as compared with $416 million for the second quarter of 2002, representing a decrease of $148 million, or 36%. The decrease in earnings from operations was primarily the result of lower gross profit margins and higher SG&A.

Below EFO:

Interest expense for the second quarter of 2003 was $34 million as compared with $44 million for the prior year quarter, representing a decrease of $10 million, or 23%. The decrease in interest expense is primarily attributable to lower interest rates and lower average borrowing levels in the second quarter of 2003 relative to the prior year quarter.

The other charges component includes principally investment income, income and losses from equity investments, foreign exchange and gains and losses on the sales of assets and investments. Other charges for the current quarter were $9 million as compared with other charges of $22 million for the second quarter of 2002. The improvement is primarily attributable to increased income from Kodak Polychrome Graphics, reduced losses from the Phogenix joint venture due to its dissolution, and reduced losses from the NexPress joint venture.

Corporate Tax Rate:

The Company's estimated annual effective tax rate from continuing operations for 2003 decreased from 26% in the first quarter of 2003 to 24% in the current year quarter. This decrease is primarily attributable to expectations that earnings in lower tax rate jurisdictions will increase as a percentage of total earnings.

The Company's estimated annual effective tax rate from continuing operations decreased from 29% for the prior year second quarter to 24% for the second quarter of 2003. This decrease is primarily attributable to expectations that earnings in lower tax rate jurisdictions will increase as a percentage of total earnings.

During the second quarter of 2003, the Company recorded a tax provision on a GAAP basis of $22 million, representing an effective tax rate from continuing operations of approximately 16%. The primary drivers of the lower effective tax rate relative to the estimated annual effective tax rate of 24% were the following discrete period items, which occurred in the second quarter and that are taxed in jurisdictions with tax rates greater than the estimated annual effective tax rate:

-- A $54 million charge for focused cost reductions

-- A $14 million charge for the settlement of a patent infringement claim

-- A $14 million charge for the settlement of issues relating to a prior year acquisition

-- A $9 million charge relating to the impairment of the Burrell Companies' net assets held for sale

Earnings from Continuing Operations:

GAAP:

Earnings from continuing operations for the second quarter of 2003 were $112 million, or $.39 per diluted share, as compared with earnings from continuing operations for the second quarter of 2002 of $286 million, or $.98 per diluted share, representing a decrease of $174 million year over year. This decrease in earnings from continuing operations is attributable to the reasons described above.

Operational:

Earnings from continuing operations on an operational basis for the second quarter of 2003 were $172 million, or $.60 per diluted share, as compared with earnings from continuing operations on an operational basis for the second quarter of 2002 of $250 million, or $.86 per diluted share, representing a decrease of $78 million, or 31%. Second quarter operational earnings from continuing operations for 2003 exclude the following after-tax items:

-- A charge of $36 million ($54 million pre-tax), or $.13 per share, resulting from previously announced cost reduction initiatives in the fourth quarter of 2002 and the first quarter of 2003. $44 million is recorded in "Restructuring Costs and Other", $7 million of accelerated depreciation associated with the relocation of certain manufacturing operations and $3 million of inventory write-downs are recorded in "Cost of Goods Sold" (COGS).

-- A charge of $9 million ($14 million pre-tax) or $.03 per share is recorded in SG&A and relates to the settlement of a patent infringement claim.

-- A charge of $9 million ($14 million pre-tax) or $.03 per share is recorded in SG&A and relates to the settlement of outstanding issues relating to a prior year acquisition.

-- A charge of $6 million ($9 million pre-tax) or $.02 per share is recorded in SG&A and is associated with the write-down of the Burrell companies' net assets held for sale.

Earnings from Discontinued Operations:

The company did not have earnings or loss from discontinued operations in the second quarter of 2003. In the second quarter of 2002, a loss from discontinued operations of $.01 per diluted share was reported.

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

- ---

	2Q 03 as Reported	Excluded Items	2Q 03 Operational	2Q 02 as Reported	Excluded Items	2Q 02 Operational
Sales	$3,352		$3,352	$3,336		$3,336
COGS	2,236	10 a	2,226	2,082		2,082
Gross Profit	1,116		1,126	1,254		1,254
SG&A	716	37 b	679	656	10 d	646
R&D	179		179	192		192
Restructuring costs and other	44	44 c	-	-		-
EFO	177		268	406		416
Interest Expense	(34)		(34)	(44)		(44)
Other Charges	(9)		(9)	(22)	3 d	(19)
Below EFO	(43)		(43)	(66)		(63)
Earnings Before Taxes	134		225	340		353
Provision for Taxes	22	31 e	53	54	49 f	103
Earnings - Cont. Ops.	112		172	286		250
Earnings (Loss) Disc. Ops.	-	-	-	(2)	2 g	-
Net Earnings	$112		172	284		250
Diluted EPS - Cont. Ops.	$0.39		$0.60	$0.98		$0.86
Diluted EPS	$0.39			$0.97		

Items excluded from Earnings on an operational basis:

a - Accelerated depreciation of $7 million and inventory write-downs of $3 million in connection with focused cost reduction actions.

b - Charges for the Burrell Companies' net assets held for sale impairment, patent infringement claim settlement, and prior year acquisition settlement.

c - Charge for focused cost reductions of $44 million.

d - Strategic and non-strategic asset write-downs of $10 million and $3 million, respectively, were taken in Q2 2002.

e - Tax impacts associated with the above-mentioned excluded items.

f - Tax benefit of $45 million related to the closure of a subsidiary and the tax impacts associated with the above-mentioned excluded items.

g - Loss from discontinued operations.

As Percent of Sales:

	2Q 03 as Reported	2Q 03 Operational	2Q 02 as Reported	2Q 02 Operational
Gross Profit	33.3%	33.6%	37.6%	37.6%
SG&A	21.4%	20.3%	19.7%	19.4%
SG&A w/o Advertising	16.2%	15.1%	14.5%	14.2%
R&D	5.3%	5.3%	5.8%	5.8%
EFO	5.3%	8.0%	12.2%	12.5%
Net Earnings	3.3%	5.1%	8.6%	7.5%

Segment Results:

Photography

Revenues:

Net worldwide sales for the Photography segment were $2.341 billion for the second quarter of 2003 as compared with $2.378 billion for the second quarter of 2002, representing a decrease of $37 million, or 2% as reported, or 8% excluding the favorable impact of exchange. The decrease in net sales was comprised of:

-- Volume: decreases in volume reduced second quarter sales by approximately 4.0 percentage points. Volume declines for traditional consumer products and services were partially offset by increases in volume for consumer digital and entertainment products and services.

-- Price/Mix: declines in price/mix reduced second quarter sales by approximately 4.0 percentage points.

-- Exchange: favorable exchange of approximately 6.0 percentage points offset the negative impacts of price/mix and volume.

Photography segment net sales in the U.S. were $972 million for the current quarter as compared with $1.083 billion for the second quarter of 2002, representing a decrease of $111 million, or 10%. Photography segment net sales outside the U.S. were $1.369 billion for the second quarter of 2003 as compared with $1.295 billion for the prior year quarter, representing an increase of $74 million, or 6% as reported, or a decrease of 6% excluding the favorable impact of exchange.

Consumer products and services revenues:

Net worldwide sales of consumer film products, including 35mm film, Advantix film and one-time-use cameras (OTUC), decreased 6% in the second quarter of 2003 as compared with the second quarter of 2002, reflecting 13% volume declines, partially offset by positive 1% price/mix and 6% favorable exchange. Sales of the Company's consumer film products within the U.S. decreased 9%, reflecting 11% volume declines and positive 2% price/mix. Positive price/mix trends in the U.S. were the result of better than expected OTUC mix driven by the HQ, black and white and OTUC plus digital family of products, as well as new premium film products including High Definition and black and white films. It also reflects the initial retailer inventory build in support of the launch of this new family of premium OTUC and film products. Sales of the Company's consumer film products outside the U.S. decreased 2%, reflecting 14% volume declines, unchanged price mix, partially offset by 12% favorable exchange.

U.S. consumer film industry volumes decreased approximately 7% in the second quarter of 2003 as compared with the prior year quarter. Year to date U.S. consumer film industry volumes decreased approximately 8% year over year.

Early in 2003, the company predicted that full year 2003 U.S. consumer film industry would decline 4% to 6% and that digital transition would reduce industry growth by 4% to 5%. The most current U.S. market data trends indicate that for full year 2003, the U.S. film industry will contract in the 7% to 8% range and digital substitution will reduce industry growth by approximately 8% to 10% suggesting that digital transition accounts for the majority of the industry decline.

The Company's blended U.S. consumer film share decreased approximately 1% on a volume basis relative to the second quarter of 2002. Management remains confident in maintaining full year, 2002 year-over-year U.S. market share as it has done for the past several consecutive years.

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

Net worldwide photofinishing sales, including Qualex in the U.S. and Consumer Imaging Services ("CIS") outside the U.S., decreased 16% in the second quarter of 2003 as compared with the second quarter of 2002, reflecting lower volumes and price/mix, partially offset by favorable exchange. In the U.S., Qualex's sales decreased 22%, reflecting the effects of a continued weak consumer film industry and consumer's shifting preference to on-site processing.

Net sales from the Company's consumer digital products and services, which include Picture Maker kiosks/media and retail consumer digital services revenue primarily from Picture CD and Retail.com, increased 1% in the second quarter of 2003 as compared with the second quarter of 2002, driven primarily by an increase in sales of kiosks and consumer digital services.

The average penetration rate for the number of rolls scanned at Qualex wholesale labs averaged 7.4% in the second quarter of 2003, an increase from the 7.0% rate recorded in the second quarter of 2002.

Growth was driven by continued consumer acceptance of Picture CD and Retail.com. However, the number of images scanned versus the second quarter of 2002 decreased 15% due to the negative photofinishing trends at Qualex resulting from a weak consumer film industry and consumer's changing preferences toward on-site processing.

Net worldwide sales of consumer digital cameras increased 65% in the second quarter of 2003 as compared with the prior year quarter, primarily reflecting strong volume increases and favorable exchange partially offset by price declines. Sales continue to be driven by strong consumer acceptance of the EasyShare digital camera system. In addition, Kodak's new Printer Dock 6000, introduced to the market in March of this year, exceeded sales expectations during the second quarter.

As in prior years, Kodak's U.S. consumer digital camera market share declined slightly during the second quarter of 2003 on a quarter sequential basis as the company refreshes its product portfolio and transitions to a new line of digital cameras becoming available throughout the third quarter. While complete data for second quarter consumer digital market share is not yet available, all indications are that Kodak continues to hold one of the top U.S. market share positions. On a year to date basis, Kodak's U.S. consumer digital camera market share increased modestly year over year.

Net worldwide sales of inkjet photo paper increased 51% in the current quarter as compared with the second quarter of 2002. The Company maintained its top two market share position in the United States quarter sequentially. The double-digit revenue growth and the maintenance of market share are primarily attributable to strong underlying market growth, successful merchandising efforts and the continued growth and acceptance of a new line of small format inkjet papers.

The Company's Ofoto business increased its sales 56% in the second quarter of 2003 as compared with the prior year quarter. Ofoto now has more than 8 million members and continues to be the market leader in the online photo services space.

Professional products and services revenues:

Net worldwide sales of professional sensitized films, including color negative, color reversal and black and white films decreased 14% in the second quarter of 2003 as compared with the second quarter of 2002, primarily reflecting declines in volume and price/mix partially offset by favorable exchange. Net worldwide sales of professional sensitized output declined 3% in the second quarter of 2003 as compared with the prior year quarter reflecting declines in volume and price/mix partially offset by favorable exchange. Sales declines resulted primarily from the combined impacts of ongoing digital transition and continued economic weakness in markets worldwide.

During the second quarter, worldwide sales increases were recorded for digital cameras, digital writers, Event Imaging solutions, digital systems and solutions, display materials and thermal equipment.

Entertainment products and services revenues:

Net worldwide sales of origination and print film to the entertainment industry increased 18%, primarily reflecting higher print film volumes due to a strong industry motion picture release schedule and favorable exchange. The new Vision 2 origination film continues to gain strong customer acceptance.

Gross profit:

Gross profit for the Photography segment was $757 million for the second quarter of 2003 as compared with $896 million for the prior year quarter, representing a decrease of $139 million or 16%. The gross profit margin was 32.3% in the current year quarter as compared with 37.7% in the prior year quarter. The 5.4 percentage point decline was primarily attributable to:

- Price/Mix: declines in price/mix reduced gross profit margins by approximately 4.0 percentage points.

- Productivity/Cost: manufacturing productivity/cost negatively impacted gross profit margins by approximately 2.0 percentage points.

- Exchange: favorably impacted gross profit margins by approximately 1.0 percentage point.

SG&A:

In the second quarter, SG&A expenses for the Photography segment increased $19 million, or 4%, from $507 million in the second quarter of 2002 to $526 million in the current quarter, and increased as a percentage of sales from 21.3% to 22.5%. The increase in SG&A is attributable to unfavorable exchange of $28 million, partially offset by cost reduction actions.

R&D:

Second quarter R&D costs for the Photography segment decreased $19 million, or 14%, from $132 million in the second quarter of 2002 to $113 million in the current quarter and decreased as a percentage of sales from 5.5% to 4.8%. The decrease in R&D was primarily attributable to cost savings realized from position eliminations associated with the prior year's cost reduction programs.

EFO:

Earnings from operations for the Photography segment decreased $138 million, from $257 million in the second quarter of 2002 to $119 million in the second quarter of 2003, primarily as a result of the factors described above.

Health Imaging

On July 21, 2003, Kodak Health Imaging announced its intention to acquire PracticeWorks, Inc., a leading provider of dental practice management software and digital radiographic imaging systems for approximately $500 million in cash. This acquisition is expected to contribute approximately $215 million in sales to the Health Imaging business during the first full year. It is anticipated that the transaction on an operating basis will be slightly dilutive through 2005 and accretive thereafter. This acquisition will enable Kodak to offer its customers a full spectrum of dental imaging products and services from traditional film to digital radiography and photography and is expected to move Health Imaging into the leading position in the dental practice management and dental digital radiographic markets.

Revenues:

Net worldwide sales for the Health Imaging segment were $607 million for the second quarter of 2003 as compared with $569 million for the prior year quarter, representing an increase of $38 million, or 7% as reported, an increase of 1% excluding the favorable impact of exchange. The increase in sales was comprised of:

-- Volume: increases in volume contributed approximately 4.0 percentage points to second quarter sales, driven primarily by volumes increases in digital media, digital capture equipment and services.

-- Price/Mix: declines in price/mix reduced second quarter sales by approximately 3.0 percentage points, primarily driven by digital media, laser printers and analog medical film.

-- Exchange: favorable exchange impacted sales by approximately 6.0 percentage points.

Net sales in the U.S. were $266 million for the current quarter as compared with $270 million for the second quarter of 2002, representing a decrease of $4 million, or 1%. Net sales outside the U.S. were $341 million for the second quarter of 2003 as compared with $299 million for the prior year quarter, representing an increase of $42 million, or 14% as reported, or 3% excluding the favorable impact of exchange.

Digital products and services revenues:

Net worldwide sales of digital products, which include laser printers (DryView imagers and wet laser printers), digital media (DryView and wet laser media), digital capture equipment (computed radiography capture equipment and digital radiography equipment), services and Picture Archiving and Communications Systems ("PACS"), increased 11% in the second quarter of 2003 as compared with the prior year quarter. The increase in digital product sales was primarily attributable to higher volumes of digital capture equipment, digital media and services. Service revenues increased due to an increase in digital equipment service contracts during the current quarter.

Traditional products and services revenues:

Net worldwide sales of traditional products, including analog film, equipment, chemistry and services, increased 2% in the second quarter of 2003 as compared with the second quarter of 2002 driven primarily by favorable exchange and higher specialty film volumes. Traditional analog film products (excluding specialty films) decreased 3% due to lower price/mix only partially offset by higher volumes and favorable exchange.

Gross profit:

Gross profit for the Health Imaging segment was $263 million for the second quarter of 2003 as compared with $236 million in the prior year quarter, representing an increase of $27 million, or 11%. The gross profit margin was 43.3% in the current quarter as compared with 41.5% in the second quarter of 2002. The increase in the gross profit margin of 1.8 percentage points was principally attributable to:

-- Price/Mix: declines in price/mix negatively impacted gross profit margins by approximately 1.7 percentage points.

-- Productivity/Cost: manufacturing productivity/cost increased gross profit margins by approximately 2.2 percentage points.

-- Exchange: favorable exchange added approximately 1.3 percentage points to the gross profit rate.

SG&A:

SG&A expenses for the Health Imaging segment increased $7 million, or 8%, from $87 million in the second quarter of 2002 to $94 million for the current quarter, and increased as a percentage of sales from 15.3% to 15.5%. The increase in SG&A expenses is primarily attributable to unfavorable exchange of $4 million and increased investment to drive growth.

R&D:

Second quarter R&D costs increased slightly from $37 million in the prior year quarter to $38 million in the current year quarter, but decreased as a percentage of sales from 6.5% for the second quarter of 2002 to 6.3% for the current quarter.

EFO:

Earnings from operations for the Health Imaging segment increased $19 million, or 17%, from $112 million for the prior year quarter to $131 million for the second quarter of 2003 while the operating earnings margin rate increased 1.9 percentage points to 21.6% from 19.7% for the prior year quarter. The increase in operating earnings reflects gross profit margin improvements.

Commercial Imaging

Revenues:

Net worldwide sales for the Commercial Imaging segment were $382 million for the second quarter of 2003 as compared with $361 million for the prior year quarter, representing an increase of $21 million, or 6% as reported, an increase of 3% excluding the favorable impact of exchange. The increase in net sales was primarily comprised of:

-- Volume: increases in volume contributed approximately 3.0 percentage points to second quarter sales driven by Imaging Services and document scanners.

-- Price/Mix: price/mix remained essentially unchanged.

-- Exchange: favorable exchange contributed approximately 3.0 percentage points to second quarter sales.

Net sales in the U.S. were $221 million for the current year quarter as compared with $204 million for the prior year quarter, representing an increase of $17 million, or 8%. Net sales outside the U.S. were $161 million in the second quarter of 2003 as compared with $157 million for the prior year quarter, representing an increase of $4 million or 3% as reported, a decrease of 5% excluding the favorable impact of exchange.

Net worldwide sales of graphic arts products to Kodak Polychrome Graphics ("KPG"), an unconsolidated joint venture affiliate in which the Company has a 50% ownership interest, decreased 16% in the current quarter as compared with the second quarter of 2002, primarily reflecting volume and price/mix declines in graphic arts film. This reduction resulted largely from digital technology transition and the effect of continuing economic weakness in the commercial printing market.

Despite continued weakness in the global economy, KPG's earnings performance continues to improve driven primarily by its leading position in the growth segments of digital proofing and digital printing plates, coupled with favorable foreign exchange. KPG's operating profit has been positive for 12 consecutive quarters and continued to contribute positively to Kodak's "Other Charges" during the second quarter of 2003.

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

Gross profit:

Gross profit for the Commercial Imaging segment was $105 million for the second quarter of 2003 as compared with $115 million in the prior year quarter, representing a decrease of $10 million, or 9%. The gross profit margin was 27.5% in the current quarter as compared with 31.9% in the prior year quarter. The decrease in the gross profit margin of 4.4 percentage points was primarily attributable to:

-- Price/Mix: declines in price/mix reduced gross profit margins by approximately 1.0 percentage point.

-- Productivity/Cost: manufacturing productivity/cost reduced gross profit margins by approximately 3.0 percentage points.

SG&A:

SG&A expenses for the Commercial Imaging segment increased $2 million, or 4%, from $48 million for the second quarter of 2002 to $50 million for the current quarter, but decreased as a percentage of sales from 13.3% to 13.1%. Unfavorable exchange of $2 million in the second quarter of 2003 accounted for the SG&A increase.

R&D:

Second quarter R&D costs for the Commercial Imaging segment increased $1 million, or 7%, from $14 million in the second quarter of 2002 to $15 million for the current quarter, but remained unchanged as a percentage of sales at 3.9%.

EFO:

Earnings from operations for the Commercial Imaging segment decreased $13 million, or 25%, from $53 million in the second quarter of 2002 to $40 million in the current quarter primarily as a result of declining margin contributions from traditional graphic arts products.

All Other

Revenues:

Net worldwide sales for All Other were $22 million for the second quarter of 2003 as compared with $28 million for the second quarter of 2002, representing a decrease of $6 million, or 21%.

SK Display Corporation, the OLED manufacturing joint venture between Kodak and Sanyo, continues production scale-up with the goal of supplying production quantity OLED screens to the marketplace throughout the remainder of 2003.

EFO:

The loss from operations for All Other was $22 million in the current quarter as compared with the loss from operations of $6 million in the second quarter of 2002 primarily driven by increased levels of investment for Kodak's Display business.

Balance Sheet:

Cash Flow:

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

Operating cash flow during the second quarter of 2003 was negative $53 million, $355 million lower than the positive $302 million generated in the year ago quarter. Primary drivers of the variance include lower earnings from continuing operations, increased incentive compensation payments, including wage dividend earned in 2002, and a larger increase in accounts receivable in 2003 versus 2002.

In January of 2003, the Company provided guidance for full year, 2003 operating cash (before acquisitions) of approximately $450 to $650 million. Kodak's current estimate for operating cash flow (before acquisitions) is approximately $500 million for full year 2003. The recently announced acquisition of PracticeWorks for approximately $500 million is expected to be funded by a combination of cash and debt.

Since the Company had no scheduled dividend payments in the second quarter of 2003 or 2002, free cash flow and operating cash flow for the current quarter are identical. Net cash provided by (used in) continuing operations, investing activities and financing activities, as determined under GAAP in the second quarter of 2003 were $127 million, ($179) million and $286 million, respectively. The table below reconciles the net cash provided by continuing operations as determined under U.S. GAAP to Kodak's definition of operating cash flow for the second quarter of 2003:

	($ millions)
Net cash provided by continuing operations	$127
Additions to properties	(125)
Investments in unconsolidated affiliates	(21)
Operating Cash Flow (Continuing Operations) before acquisitions	(19)
Acquisitions, net of cash acquired	(34)
Operating Cash Flow (Continuing Operations)	$(53)

Dividend:

The Company has a dividend policy whereby it makes semi-annual payments, which, when declared, will be paid on the Company's 10th business day each July and December to shareholders of record on the first business day of the preceding month. On April 15, 2003, the Company's Board of Directors declared a semi-annual cash dividend of $0.90 per share on the outstanding common stock of the Company. This dividend was paid on July 16, 2003 to shareholders of record at the close of business on June 2, 2003.

Capital Spending:

Capital additions were $125 million in the second quarter of 2003, with the majority of the spending supporting new products, manufacturing productivity and quality improvements, infrastructure improvements and ongoing environmental and safety initiatives.

Receivables:

Total receivables of $2.462 billion comprised of trade ($2.148 billion) and miscellaneous ($314 million) receivables at the end of the second quarter, 2003, declined $89 million from second quarter of 2002. This reduction is driven by strong operational improvements, including the reduction of past-due receivables. Accrued customer rebates are classified as miscellaneous payables, however, the majority of these are cleared through customer deductions. The effect of offsetting these accrued customer rebates would reduce the trade receivable balance by $429 million to $1.719 billion at the end of the second quarter of 2003, and would reduce the trade receivable balance by $327 million to $1.844 billion at the end of the second quarter of 2002.

Days sales outstanding (DSO) decreased approximately 10 days from second quarter, 2002 and decreased approximately 1 day quarter sequentially. The DSO calculation includes the impact of reclassifying rebates as an offset to receivables for the last four quarters. Excluding the impact of rebate reclassification, the operational improvement in DSO was 4 days year over year and unchanged quarter sequentially. Kodak defines DSO: 4 quarter moving average net trade receivables after rebate reclassification, divided by 12 months of sales, multiplied by 365 days.

Inventory:

Kodak's inventories (after LIFO) increased $42 million year over year but decreased $7 million quarter sequentially.

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

Days supply in inventory (DSI) improved by more than 4 days from the second quarter 2002 and by over 1 day quarter sequentially. Inventory turns have improved slightly by 0.1 turns to 5.5 turns since the end of the first quarter 2003. The DSI calculation is based on inventory before the LIFO reserve. Including the impact of the LIFO reserve, DSI improved by more than 2 days from the second quarter of 2002 and was essentially flat quarter sequentially; inventory turns remained essentially flat at 7.3 turns relative to the first quarter of 2003.

Debt to Capital Ratio:

Debt to total capital ratio was 51.2%, increasing 2.6 percentage points quarter sequentially and 1.6 percentage points year over year. Debt increased by $286 million to $2.990 billion and cash increased by $241 million to $838 million quarter sequentially, in keeping with the Company's plans to maintain a somewhat higher cash balance to ensure adequate operational liquidity. On a debt less cash basis, net debt was $2.152 billion, a decrease of $377 million from second quarter, 2002 levels of $2.529 billion.

Equity amounted to $2.854 billion, a decrease of $10 million quarter sequentially, primarily due to earnings and the declaration of the semi-annual dividend, offset by exchange.

Foreign Exchange:

Year over year, the impact of foreign exchange on operating activities during the second quarter was a positive $0.17 per share whereas foreign exchange activities recorded in "Other Charges" had a negative $0.01 per share impact. Therefore, the sum of the operational and reportable exchange impacts increased earnings in the quarter by $0.16 per share.

Outlook for Full Year 2003:

Although it is difficult to predict earnings given the volatility of the current environment reflecting global economic weakness, international conflict and the continuing impact of the digital transition underway at the company, Kodak expects operational earnings of $.85 to $1.15 per share and GAAP earnings of $.25 to $.65 per share for the second half of 2003.

Upcoming Meetings:

Kodak's annual strategy meeting with investors will be held on Thursday, September 25, in New York City. Additional details will follow shortly.

Safe Harbor Statement:

Operational items are non-GAAP financial measures as defined by the Securities and Exchange Commission's final rules under "Conditions for Use of Non-GAAP Financial Measures."

Certain statements in this press release may be forward looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to the Company's 2003 revenue, earnings, cash flow expectations and future focused cost reductions are forward-looking statements.

Actual results may differ from those expressed or implied in forward-looking statements. In addition, any forward-looking statements represent estimates as of July 23, 2003, and should not be relied upon as representing estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if estimates change. Forward-looking statements are subject to a number of risk factors, including:

-- Implementation of product strategies (including category expansion, digitization, OLED, and digital products);

-- Implementation of intellectual property licensing strategies;

-- Development and implementation of e-commerce strategies;

-- Completion of information systems upgrades, including SAP;

-- Completion of various portfolio actions;

-- Reduction of inventories;

-- Improvement in manufacturing productivity;

-- Improvement in receivables performance;

-- Reduction in capital expenditures;

-- Improvement in supply chain efficiency;

-- Implementation of future focused cost reductions, including personnel reductions;

-- Development of the Company's business in emerging markets like China, India, Brazil, Mexico, and Russia.

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

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

-- Competitive actions, including pricing;

-- The nature and pace of technology substitution, including the analog-to-digital shift;

-- Continuing customer consolidation and buying power;

-- General economic and business conditions.

-- Other factors disclosed previously and from time to time in the Company's filings with the Securities and Exchange Commission.

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

CONTACT: Eastman Kodak Company
Gerard Meuchner, 585-724-4513
gerard.meuchner@kodak.com
or
Anthony Sanzio, 585-781-5481
anthony.sanzio@kodak.com