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, 2019

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

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common Common stock, par value $0.01 per share	KODK	New York Stock Exchange

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 (or for such shorter period that the registrant was required to file such reports), 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). 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 the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company" and "emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

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, 2019, the registrant had 43,015,101 shares of common stock, par value $0.01 per share, outstanding.

EASTMAN KODAK COMPANY
Form 10-Q

June 30, 2019

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues				
Sales	$ 240	$ 261	$ 464	$ 509
Services	67	71	134	141
Total revenues	307	332	598	650
Cost of revenues				
Sales	218	237	423	468
Services	47	50	93	99
Total cost of revenues	265	287	516	567
Gross profit	42	45	82	83
Selling, general and administrative expenses	54	59	113	117
Research and development costs	11	12	22	25
Restructuring costs and other	2	2	4	4
Other operating income, net	—	(2)	—	(2)
Loss from continuing operations before interest expense, pension income excluding service cost component, other (income) charges, net and income taxes	(25)	(26)	(57)	(61)
Interest expense	5	2	8	4
Pension income excluding service cost component	(26)	(32)	(53)	(64)
Other (income) charges, net	—	1	1	17
(Loss) earnings from continuing operations before income taxes	(4)	3	(13)	(18)
Provision for income taxes	2	—	5	4
(Loss) earnings from continuing operations	(6)	3	(18)	(22)
Income from discontinued operations, net of income taxes	207	1	201	1
Net income (loss)	$ 201	$ 4	$ 183	$ (21)
Basic and diluted (loss) income per share attributable to Eastman Kodak Company common shareholders:				
Continuing operations	$ (0.25)	$ (0.04)	$ (0.65)	$ (0.75)
Discontinued operations	4.81	0.02	4.67	0.02
Total	$ 4.56	$ (0.02)	$ 4.02	$ (0.73)
Number of common shares used in basic and diluted net loss per share				
Basic	43.0	42.7	43.0	42.6
Diluted	43.0	42.7	43.0	42.6

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

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

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
NET INCOME (LOSS)	$ 201	$ 4	$ 183	$ (21)
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	1	(20)	4	(7)
Pension and other postretirement benefit plan obligation activity, net of tax	—	—	(1)	—
Other comprehensive income (loss), net of tax	1	(20)	3	(7)
COMPREHENSIVE INCOME (LOSS), NET OF TAX	$ 202	$ (16)	$ 186	$ (28)

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, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 216	$ 246
Trade receivables, net of allowances of $8 and $9, respectively	204	232
Inventories, net	251	236
Other current assets	57	51
Current assets held for sale	1	113
Total current assets	729	878
Property, plant and equipment, net of accumulated depreciation of $443 and $422, respectively	229	246
Goodwill	12	12
Intangible assets, net	56	60
Operating lease right-of-use assets	44	—
Restricted cash	19	11
Deferred income taxes	154	160
Other long-term assets	188	144
TOTAL ASSETS	**$ 1,431**	**$ 1,511**
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND EQUITY (DEFICIT)		
Accounts payable, trade	$ 156	$ 149
Short-term borrowings and current portion of long-term debt	2	396
Current portion of operating leases	26	—
Other current liabilities	198	213
Current liabilities held for sale	—	20
Total current liabilities	382	778
Long-term debt, net of current portion	104	5
Pension and other postretirement liabilities	365	379
Operating leases, net of current portion	28	—
Other long-term liabilities	192	179
Total Liabilities	1,071	1,341
Commitments and Contingencies (Note 10)		
Redeemable, convertible Series A preferred stock, no par value, $100 per share liquidation preference	177	173
Equity (Deficit)		
Common stock, $0.01 par value	—	—
Additional paid in capital	612	617
Treasury stock, at cost	(9)	(9)
Accumulated deficit	(12)	(200)
Accumulated other comprehensive loss	(408)	(411)
Total shareholders' equity (deficit)	183	(3)
TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND EQUITY (DEFICIT)	**$ 1,431**	**$ 1,511**

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 Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net earnings (loss)	$ 183	$ (21)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	29	39
Pension income	(45)	(54)
Change in fair value of embedded derivatives in the Series A Preferred Stock and Convertible Notes	(2)	7
Net gain on sales of assets/businesses	(209)	(2)
Stock based compensation	5	3
Provision for deferred income taxes	4	5
Decrease in trade receivables	22	31
Increase in inventories	(14)	(34)
Increase (decrease) in trade payables	9	(11)
Decrease in liabilities excluding borrowings and trade payables	(5)	(22)
Other items, net	10	10
Total adjustments	(196)	(28)
Net cash used in operating activities	(13)	(49)
Cash flows from investing activities:		
Additions to properties	(5)	(17)
Net proceeds from sales of businesses/assets	302	1
Net cash provided by (used in) investing activities	297	(16)
Cash flows from financing activities:		
Repayment of Term Credit Agreement	(395)	—
Proceeds from Convertible Notes	98	—
Proceeds from borrowings	14	—
Repayment of finance leases	(1)	(2)
Preferred stock dividend payments	—	(6)
Payment of contingent consideration related to the sale of a business	(10)	—
Net cash used in financing activities	(294)	(8)
Effect of exchange rate changes on cash	1	(3)
Net decrease in cash, cash equivalents and restricted cash	(9)	(76)
Cash, cash equivalents, restricted cash and cash in assets held for sale, beginning of period	267	369
Cash, cash equivalents, restricted cash and cash in assets held for sale, end of period	$ 258	$ 293

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

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF EQUITY (DEFICIT) (Unaudited)

	Six-Month Period Ending June 30, 2019						
	Eastman Kodak Company Common Shareholders						
	Common Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total	Series A Redeemable Convertible Preferred Stock
Equity (deficit) as of December 31, 2018	$ —	$ 617	$ (200)	$ (411)	$ (9)	$ (3)	$ 173
Net loss	—	—	(18)	—	—	(18)	—
Other comprehensive loss (net of tax):							
Currency translation adjustments	—	—	—	3	—	3	—
Pension and other postretirement liability adjustments	—	—	—	(1)	—	(1)	—
Series A preferred stock cash dividends	—	(3)	—	—	—	(3)	—
Series A preferred stock deemed dividends	—	(2)	—	—	—	(2)	2
Stock-based compensation	—	3	—	—	—	3	—
Prior period adjustment due to adoption of ASU 2016-02	—	—	5	—	—	5	—
Equity (deficit) as of March 31, 2019	$ —	$ 615	$ (213)	$ (409)	$ (9)	$ (16)	$ 175
Net earnings	—	—	201	—	—	201	—
Other comprehensive loss (net of tax):							
Currency translation adjustments	—	—	—	1	—	1	—
Pension and other postretirement liability adjustments	—	—	—	—	—	—	—
Series A preferred stock cash dividends	—	(3)	—	—	—	(3)	—
Series A preferred stock deemed dividends	—	(2)	—	—	—	(2)	2
Stock-based compensation	—	2	—	—	—	2	—
Equity (deficit) as of June 30, 2019	$ —	$ 612	$ (12)	$ (408)	$ (9)	$ 183	$ 177

	Six-Month Period Ending June 30, 2018						
	Eastman Kodak Company Common Shareholders						
	Common Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total	Series A Redeemable Convertible Preferred Stock
Equity (deficit) as of December 31, 2017	$ —	$ 631	$ (174)	$ (391)	$ (9)	$ 57	$ 164
Net loss	—	—	(25)	—	—	(25)	
Other comprehensive loss (net of tax):							
Currency translation adjustments	—	—	—	13	—	13	—
Pension and other postretirement liability adjustments	—	—	—	—	—	—	—
Series A preferred stock cash dividends	—	(3)	—	—	—	(3)	—
Series A preferred stock deemed dividends	—	(2)	—	—	—	(2)	2
Stock-based compensation	—	2	—	—	—	2	—
Prior period adjustment due to adoption of ASU 2014-09	—	—	(10)	—	—	(10)	—
Equity (deficit) as of March 31, 2018	$ —	$ 628	$ (209)	$ (378)	$ (9)	$ 32	$ 166
Net earnings	—	—	4	—	—	4	—
Other comprehensive loss (net of tax):							
Currency translation adjustments	—	—	—	(20)	—	(20)	—
Pension and other postretirement liability adjustments	—	—	—	—	—	—	—
Series A preferred stock cash dividends	—	(3)	—	—	—	(3)	—
Series A preferred stock deemed dividends	—	(2)	—	—	—	(2)	2
Stock-based compensation	—	1	—	—	—	1	—
Equity (deficit) as of June 30, 2018	$ —	$ 624	$ (205)	$ (398)	$ (9)	$ 12	$ 168

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

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, 2018 (the "2018 Form 10-K").

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.

As of June 30, 2019 and December 31, 2018, Kodak had approximately $216 million and $246 million, respectively, of cash and cash equivalents. $90 million and $117 million was held in the U.S. as of June 30, 2019 and December 31, 2018, respectively, and $126 million and $129 million 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. Outstanding inter-company loans to the U.S. as of June 30, 2019 and December 31, 2018 were $426 million and $390 million, respectively, which includes short-term intercompany loans from Kodak's international finance center of $128 million and $92 million as of June 30, 2019 and December 31, 2018, respectively. In China, where approximately $59 million and $72 million of cash and cash equivalents was held as of June 30, 2019 and December 31, 2018, respectively, there are limitations related to net asset balances that may impact the ability to make cash available to other jurisdictions in the world. Kodak had a net decrease in cash, cash equivalents, restricted cash and cash in assets held for sale of $9 million and $102 million for the six months ended June 30, 2019 and the year ended December 31, 2018, respectively, and used $13 million and $49 million in operating activities for the six months ended June 30, 2019 and 2018, respectively.

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 or prior to the conditions or events that create the going concern risk.

Kodak is facing liquidity challenges due to operating losses and negative cash flow. Kodak has eliminated current debt service requirements by paying down the Senior Secured First Lien Term Credit Agreement (the "Term Credit Agreement") using proceeds from the sale of Kodak's Flexographic Packaging business ("FPD") and refinancing the remaining balance through the issuance of convertible debt which does not require any debt service until conversion or maturity on November 1, 2021. However, Kodak has significant cash requirements to fund ongoing operations, restructuring programs, pension and other postretirement obligations, and other obligations. Kodak's plans to return to positive cash flow include growing revenues profitably, reducing operating expenses, simplifying the organizational structure, generating cash from additional asset sales and paring investment in new technology by eliminating or delaying product development programs. The current cash balance outside of China, recent trend of negative cash flow and lack of certainty regarding the return to positive cash flow raise substantial doubt about Kodak's ability to continue as a going concern.

RECLASSIFICATIONS

Certain amounts for prior periods have been reclassified to conform to the current period classification due to Kodak's new organization structure as of January 2019. In addition to the changes in segment reporting under the new organization structure there is a change in the segment measure of profitability. The segment measure of profitability was changed to exclude the costs, net of any rental income received, of underutilized portions of certain properties. Additionally, the allocation of costs from Eastman Business Park ("EBP") to the Brand, Film and Imaging segment and Advanced Materials and 3D Printing Technology segment as tenants of EBP and to each of the segments as users of shared corporate space at the global headquarters changed. Refer to Note 21, "Segment Information" for additional information.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("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. Kodak adopted the new standard on January 1, 2019. The adoption of this ASU did not have an impact on the Consolidated Financial Statements as a result of Kodak's U.S. valuation allowance.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Topic 842 (as amended by ASU's 2018-01, 10, 11 and 20 and ASU 2019-01) 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 standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases and operating leases. 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). The original guidance required application on a modified retrospective basis to the earliest period presented. ASU 2018-11, Targeted improvements to ASC 842, includes an option to not restate comparative periods in transition and elect to use the effective date of ASC 842 as the date of initial application of transition. Kodak adopted the new standard on the effective date applying the new transition method allowed under ASU 2018-11. Kodak elected the package of practical expedients which permitted Kodak to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any existing leases, and (3) any initial direct costs for any existing leases as of the effective date. Kodak did not elect the hindsight practical expedient which permits entities to use hindsight in determining the lease term and assessing impairment. The adoption of the amended lease guidance increased the assets and liabilities recorded in the Consolidated Statement of Financial Position due to the recognition of right-of-use assets and liabilities. Kodak recognized a cumulative-effect adjustment to increase retained earnings of approximately $5 million due to the derecognition of assets and deferred gain on previous sale-leaseback transactions. As a lessor, recognition of rental revenue remained mainly consistent with previous guidance, apart from the narrower definition of initial direct costs that can be capitalized. The impact of adoption on the Consolidated Statement of Financial Position is presented below:

(in millions)	**Balance at December 31, 2018**	**Adjustments Due to ASU 2016-02**	**Balance at January 1, 2019**
Operating lease right-of-use assets	$ —	$ 52	$ 52
Operating lease liabilities	—	61	61
Deferred rent payable (1)	9	(9)	—
Deferred gain on previous sale leaseback transaction (1)	6	(6)	—
Net fixed assets from previous sale leaseback transaction	1	(1)	—
Accumulated deficit	200	(5)	195

(1) Deferred amounts were previously reported in Other current liabilities ($1 million) and Other long-term liabilities ($14 million) in the Consolidated Statements of Financial Position.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2018, the FASB issued ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans, which amends the disclosure requirements in ASC 715-20 by adding, clarifying, or removing certain disclosures. ASU 2018-14 requires all entities to disclose (1) the weighted average interest crediting rates for cash balance plans and other plans with promised interest crediting rates, and (2) an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The ASU also clarifies certain disclosure requirements for entities with two or more defined benefit pension plans when aggregate disclosures are presented. The ASU removes other disclosures from the existing guidance, such as the requirement to disclose the effects of a one-percentage-point change in the assumed health care cost trend rates. The ASU is effective retrospectively for fiscal years ending after December 15, 2020 (the year ended December 31, 2020 for Kodak). Early adoption is permitted. The standard addresses disclosures only and will not have an impact on Kodak's consolidated financial statements.

In September 2018 the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which amends the disclosure requirements in ASC 820 by adding, changing, or removing certain disclosures. The ASU applies to disclosures about recurring or nonrecurring fair value measurements. The additional and/or modified disclosures relate primarily to Level 3 fair value measurements while removing certain disclosures related to transfers between Level 1 and Level 2 of the fair value hierarchy. The ASU is effective retrospectively, for fiscal years beginning after December 15, 2019 (January 1, 2020 for Kodak) and interim periods within those fiscal years. Entities are permitted to early adopt any removed or modified disclosures but can delay adoption of the new disclosures until their effective date.

Kodak retrospectively early adopted the provisions of the ASU that removed or modified disclosures in the fourth quarter of 2018 and expects to prospectively adopt the provisions related to new disclosures January 1, 2020. The standard addresses disclosures only and will not have an impact on Kodak's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which addresses how a customer should account for the costs of implementing a cloud computing service arrangement (also referred to as a "hosting arrangement"). Under ASU 2018-15, entities should account for costs associated with implementing a cloud computing arrangement that is considered a service contract in the same way as implementation costs associated with a software license; implementation costs incurred in the application development stage, such as costs for the cloud computing arrangement's integration with on-premise software, coding, and configuration or customization, should be capitalized and amortized over the term of the cloud computing arrangement, including periods covered by certain renewal options. The ASU is effective in fiscal years beginning after December 15, 2019 (January 1, 2020 for Kodak) including interim periods within those fiscal years. Early adoption is permitted. The ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. 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 (as amended by ASU 2018-19 and ASU's 2019-04 and 05) 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. Kodak is currently evaluating the impact of this ASU.

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, 2019	December 31, 2018
Cash and cash equivalents	$ 216	$ 246
Restricted cash included in Other current assets	23	8
Long-term restricted cash	19	11
Cash included in assets held for sale	—	2
Total cash, cash equivalents and restricted cash shown in the Statement of Cash Flows	$ 258	$ 267

Restricted cash included in Other current assets on the Statement of Financial Position primarily includes collateral for a guaranty provided to MIR Bidco, SA (the "Purchaser") and collateral in support of hedging activities. On April 16, 2019 the Purchaser of FPD paid Kodak $15 million in the U.S. as a prepayment for transition services and products and services to be provided by Kodak to the Purchaser. Kodak provided a $15 million guaranty, supported by cash collateral in China, to the Purchaser. The Purchaser has the option to satisfy its payment obligations to Kodak through a reduction of the prepayment balance or in cash. When the Purchaser satisfies its payment obligations to Kodak by utilizing its prepayment balance, Kodak can follow a guaranty amendment process to reduce the amount of its guaranty and cash collateral supporting the prepayment balance. As of June 30, 2019, the remaining prepayment balance is $13 million and the cash collateral supporting Kodak's guaranty is $15 million.

Long-term restricted cash includes $4 million and $5 million of security posted related to Brazilian legal contingencies as of June 30, 2019 and December 31, 2018, respectively. Long-term restricted cash also includes $11 million and $3 million as of June 30, 2019 and December 31, 2018, respectively, supporting compliance with the Excess Availability threshold under the ABL Credit Agreement, as defined below.

NOTE 3: INVENTORIES, NET

(in millions)	June 30, 2019	December 31, 2018
Finished goods	$ 126	$ 119
Work in process	61	55
Raw materials	64	62
Total	$ 251	$ 236

NOTE 4: OTHER LONG-TERM ASSETS

(in millions)	June 30, 2019	December 31, 2018
Pension assets	$ 126	$ 82
Estimated workers' compensation recoveries	17	17
Long-term receivables, net of reserve of $4 and $4, respectively	12	13
Other	33	32
Total	$ 188	$ 144

NOTE 5: OTHER CURRENT LIABILITIES

(in millions)	June 30, 2019	December 31, 2018
Employee related liabilities	$ 41	$ 42
Deferred revenue	32	34
Customer rebates	21	26
Deferred consideration on disposed businesses	14	24
Transition services agreement prepayment	13	—
Series A Preferred Stock dividends payable	11	6
Workers compensation	9	9
Restructuring liabilities	7	8
Other	50	64
Total	$ 198	$ 213

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

NOTE 6: OTHER LONG-TERM LIABILITIES

(in millions)	June 30, 2019	December 31, 2018
Workers compensation	$ 82	$ 83
Asset retirement obligations	46	48
Deferred brand licensing revenue	19	6
Convertible debt embedded derivative liability	14	—
Deferred taxes	13	14
Environmental liabilities	10	10
Other (1)	8	18
Total	$ 192	$ 179

(1) Other decreased $14 million due to the adoption of ASU 2016-02. Also see the Recently Adopted Accounting Pronouncements subsection of Note 1, “Basis of Presentation and Recent Accounting Pronouncements”.

NOTE 7: DEBT AND FINANCE LEASES

Debt and finance leases and related maturities and interest rates were as follows at June 30, 2019 and December 31, 2018 (in millions):

(in millions)	Type	Maturity	Weighted-Average Effective Interest Rate	June 30, 2019 Carrying Value	December 31, 2018 Carrying Value
Current portion:					
	Term note	2019		$ —	$ 394
	Finance leases	Various	Various	1	2
	Other debt	Various	Various	1	—
				2	396
Non-current portion:					
	Convertible debt	2021	11.72%	85	—
	RED-Rochester, LLC	2033	11.40%	14	—
	Finance leases	Various	Various	3	3
	Other debt	Various	Various	2	2
				104	5
				$ 106	$ 401

Annual maturities of debt and finance leases outstanding as of June 30, 2019 were as follows (in millions):

	Carrying Value	Maturity Value
Q3 - Q4 2019	$ 2	$ 2
2020	1	1
2021	86	113
2022	2	2
2023	1	1
2024 and thereafter	14	14
Total	$ 106	$ 133

On April 12, 2019, the Company repaid approximately $312 million of the loans made under the Term Credit Agreement using proceeds from the sale of FPD and on May 24, 2019 repaid the remaining outstanding balance of approximately $83 million with the proceeds from the issuance of Convertible Notes described below.

Convertible Notes

On May 20, 2019, the Company and Longleaf Partners Small Cap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust, which are investment funds managed by Southeastern Asset Management, Inc. (the “Notes Purchasers”), entered into a Notes Purchase Agreement (the “Purchase Agreement”) pursuant to which the Company agreed to issue and sell to the Notes Purchasers, and the Notes Purchasers agreed to purchase from the Company, $100 million aggregate principal amount of the Company’s 5.00% Secured Convertible Notes due 2021 (the “Convertible Notes”). The transaction closed on May 24, 2019. The proceeds were used to repay the remaining first lien term loans outstanding ($83 million) under the Term Credit Agreement, which was terminated with the repayment. The remaining proceeds were used for general corporate purposes. The Notes Purchasers also hold all outstanding shares of the Company’s 5.50% Series A Convertible Preferred Stock (the “Series A Preferred Stock”), which vote with the shares of common stock on an as-converted basis, and are holders of shares of the Company’s common stock, par value $0.01 per share (the “Common Stock”), as described below.

The Convertible Notes bear interest at a rate of 5.00% per annum, which will be payable in cash on their maturity date and, at the option of the Company, in either cash or additional shares of Common Stock on any conversion date. The payment of interest only at the maturity date has the same effect as delivering additional debt instruments to the Holders of the Convertible Notes and therefore is considered Paid-In-Kind interest (“PIK”). Therefore, PIK will be added to the carrying value of the debt through the term and interest expense will be recorded using the effective interest method.

The maturity date of the Convertible Notes is initially November 1, 2021. The Company has the option to extend the maturity of the Convertible Notes by up to three years in the event that the Series A Preferred Stock is refinanced with debt or equity or the mandatory redemption date of the

Series A Preferred Stock is extended. If the Convertible Notes maturity date is extended, the new maturity date must be no later than 30 days before the maturity date of any new debt or the extended mandatory redemption date of the Series A Preferred Stock.

The Convertible Notes are guaranteed by all of the subsidiaries of the Company that currently guarantee the ABL Credit Agreement (the "Subsidiary Guarantors"), and are secured by a second priority lien on certain receivables, inventory and other assets of the Company and the Subsidiary Guarantors in which the lenders under the ABL Credit Agreement have a first priority security interest.

Conversion Features

Holders of the Convertible Notes have the right to elect at any time to convert their Convertible Notes into shares of Common Stock at a conversion rate equal to 314.9785 shares of Common Stock per each $1,000 principal amount of Convertible Notes (based on a conversion price equal to $3.17482 per share of Common Stock (the "Conversion Price"), which represents a 10% premium to the volume weighted average price of the shares of Common Stock for the five day trading period ended on April 9, 2019 (the "Conversion Rate")). The Conversion Rate and Conversion Price are subject to certain customary antidilution adjustments.

If the closing price of the Common Stock equals or exceeds 150% of the then-effective Conversion Price for 45 trading days within any period of 60 consecutive trading days, with the last trading day of such 60 day period ending on the trading day immediately preceding the business day on which the Company issues a press release announcing the mandatory conversion, the Company may elect to convert all outstanding Convertible Notes into shares of Common Stock at the Conversion Rate then in effect.

In the event of certain fundamental transactions, the Notes Purchasers will have the right, within a period of 30 days following the occurrence of such transaction ("Holder Fundamental Transaction Election Period"), to elect to either convert all or a portion of the Convertible Notes into shares of Common Stock at the Conversion Rate then in effect, or to receive the shares of a successor entity, if any, or the Company, and any additional consideration receivable as a result of such fundamental transaction. In addition, the Company will have the option, for a period of 30 days after the expiration of the Holder Fundamental Transaction Election Period, to repay all of the remaining outstanding Convertible Notes at par, plus accrued and unpaid interest.

Embedded Derivatives

The Convertible Notes are considered more akin to a debt-type instrument and the economic characteristics and risks of the embedded conversion features and term extension at the Company's option were not considered clearly and closely related to the Convertible Notes. Accordingly, these embedded features were bifurcated from the Convertible Notes and separately accounted for on a combined basis at fair value as a single derivative liability. Kodak allocated $14 million of the net proceeds received to a derivative liability based on the aggregate fair value of the embedded features and term extension on the date of issuance which reduced the net carrying value of the Convertible Notes. The derivative liability is being accounted for at fair value with subsequent changes in the fair value being reported as part of Other (income) charges, net in the Consolidated Statement of Operations. The fair value of the derivative liability as of June 30, 2019 was $14 million and is included within Other long-term liabilities in the accompanying Consolidated Statement of Financial Position.

The carrying value of the Convertible Notes at the time of issuance, $84 million ($100 million aggregate gross proceeds less $14 million allocated to the derivative liability and $2 million in transaction costs), is being accreted to the face amount using the effective interest method from the date of issuance through the maturity date.

Convertible Notes Registration Rights Agreement

At the closing of the issuance and sale of the Convertible Notes, the Company entered into a registration rights agreement which provides the Notes Purchasers with customary registration rights in respect of the shares of the Common Stock issuable upon conversion of the Convertible Notes.

Notes Purchasers' Beneficial Ownership of Common Stock

Prior to the issuance of the Convertible Notes, the Notes Purchasers beneficially owned 4,960,000 shares of the Company's Common Stock, representing 11.53% of the shares of Common Stock outstanding as of June 30, 2019, and 2,000,000 shares of Series A Preferred Stock, which vote with the Common Stock on an as-converted basis representing 26.72% of the shares of Common Stock outstanding as of June 30, 2019. The Common Stock and Series A Preferred Stock held by the Notes Purchasers represented 30.19% of the voting power of the outstanding capital stock of the Company as of June 30, 2019 giving effect to the conversion of the Series A Preferred Stock. On an as-converted basis, the Convertible Notes would represent 31,497,850 shares of Common Stock, or 42.27% of the shares of Common Stock outstanding as of June 30, 2019 after giving effect to the issuance and conversion. Assuming the issuance of the Convertible Notes and based on the number of shares of Common Stock outstanding as of June 30, 2019, the Notes Purchasers would beneficially own 48.93% of the shares of Common Stock outstanding and their shares of Series A Preferred Stock will vote with the shares of Common Stock on an as-converted basis, representing an aggregate of 55.76% of the voting power of the outstanding capital stock of the Company.

Amended and Restated Credit Agreement
On May 26, 2016, the Company and the Subsidiary Guarantors entered into an Amended and Restated Credit Agreement (the "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 Original ABL Credit Agreement. Each of the capitalized but undefined terms used in the context of describing the ABL Credit Agreement has the meaning ascribed to such term in the ABL 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 $80 million and $85 million of letters of credit under the ABL Credit Agreement as of June 30, 2019 and December 31, 2018, respectively. The Company had approximately $24 million and $19 million of Excess Availability under the ABL Credit Agreement as of June 30, 2019 and December 31, 2018, 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.

The ABL Credit Agreement matures on May 26, 2021.

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

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 $9 million, as of June 30, 2019 (which $9 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 ABL 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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, Kodak is not required to have a minimum Fixed Charges Coverage Ratio of 1.0 to 1.0.

As of June 30, 2019, and December 31, 2018, Kodak had funded $11 million and $3 million respectively, to the Eligible Cash account, held with the ABL Credit Agreement Administrative Agent, which is classified as Restricted Cash in the Consolidated Statement of Financial Position.

Under the terms of the ABL Credit Agreement, 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, 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 is 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 $7 million for the quarter and six months ended June 30, 2019, respectively, which represents 1% of Kodak's consolidated sales in both periods. 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. These subsidiaries had assets of $21 million as of both June 30, 2019 and December 31, 2018, which represents 1% of Kodak's consolidated assets as of both periods.

Debt Reporting and Other Requirements
Reporting requirements under the ABL Credit Agreement require the Company to provide annual audited financial statements accompanied by an opinion of an independent public accountant without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit or other material qualification or exception, except for any such qualification or exception with respect to any indebtedness maturing within 364 days after the date of such financial statements, and that the opinion be reasonably acceptable to the agent. On March 31, 2019 the Company obtained a waiver from the agent and lenders under the ABL Credit Agreement with respect to any event of default under the reporting covenant that may be deemed to have occurred in relation to the going concern explanatory paragraph in the 2018 Form 10-K audit report.

The Convertible Notes and ABL Credit Agreement 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 (ABL Credit Agreement only). In addition to other customary affirmative covenants, the Convertible Notes and ABL Credit Agreement provide for a periodic delivery by the Company of its various financial statements as set forth in the Convertible Notes and ABL Credit Agreement. Events of default under the Convertible Notes and/or ABL Credit Agreement include, among others, failure to pay any principal, interest or other amount due under the applicable agreement, failure to deliver conversion shares (Convertible Notes only), breach of specific covenants and a change of control of the Company (ABL Credit Agreement only). Upon an event of default, the applicable lenders may declare the outstanding obligations under the applicable agreement to be immediately due and payable and exercise other rights and remedies provided for in such agreement.

RED-Rochester, LLC
In January 2019 Kodak entered into a series of agreements with RED-Rochester, LLC ("RED"), which provides utilities to the Eastman Business Park. Kodak received a payment of $14 million from RED. Kodak is required to pay a minimum annual payment to RED of approximately $2 million regardless of utility usage. Kodak is accounting for the $14 million payment from RED as debt. The minimum payments required under the agreement from Kodak to RED will be reported as a reduction of the debt and interest expense using the effective interest method.

NOTE 8: 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 pursuant to a Series A Preferred Stock Purchase Agreement with Southeastern Asset Management, Inc. ("Southeastern") and Longleaf Partners Small-Cap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust, which are investment funds managed by Southeastern (such investment funds, collectively, the "Purchasers"), dated November 7, 2016. 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 23, "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. Until the third quarter of 2018 all dividends owed on the Series A Preferred Stock were declared and paid when due. No quarterly dividend was declared in the third or fourth quarters of 2018 or the first and second quarters of 2019.

The Purchasers have the right to nominate members to the Company's board of directors proportional to their ownership on an as converted basis, which initially allowed the Purchasers to nominate two members to the board. If dividends on any Series A Preferred Stock are in arrears for six or more consecutive or non-consecutive dividend periods, the holders of Series A Preferred Stock, voting with holders of all other preferred stock of the Company whose voting rights are then exercisable, will be entitled to vote for the election of two additional directors in the 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. The nomination right of the Purchasers will be reduced by two nominees at any time the holders of Series A Preferred Stock have the right to elect, or participate in the election of, two additional directors. Two of the directors on the Company's current board of directors were nominated by the Purchasers.

As of June 30, 2019, the Series A Preferred Stock has not been converted and none of the anti-dilution 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 9: LEASES

Kodak as lessee
Kodak determines if an arrangement is a lease at inception. Kodak's operating lease agreements are primarily for real estate space and vehicles and are included within operating lease right-of-use ("ROU") assets and operating lease liabilities on the Consolidated Statement of Financial Position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Variable lease payments are excluded from the measurement of ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term. Many of the leases include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments if reasonably assured to be exercised.

Kodak does not separate lease and non-lease components of contracts for real estate leases. When available, the rate implicit in the lease is used to discount lease payments to present value; however, many leases do not provide a readily determinable implicit rate. Therefore, Kodak applies its incremental borrowing rate to discount the lease payments at lease commencement.

The table below presents the lease-related assets and liabilities on the balance sheet:

(in millions)	Classification in the Consolidated Statement of Financial Position	June 30, 2019
Assets		
Operating lease assets	Operating lease right-of-use assets	$ 44
Finance lease assets	Property, plant and equipment, net	5
Total lease assets		$ 49
Liabilities		
Current		
Operating	Current portion of operating leases	$ 26
Finance	Short-term borrowings and current portion of long-term debt	1
Noncurrent		
Operating	Operating leases, net of current portion	28
Finance	Long-term debt, net of current portion	3
Total lease liabilities		$ 58
Weighted-average remaining lease term		
Operating		5 years
Finance (1)		332 years
Weighted-average discount rate		
Operating (2)		16.50%
Finance		6.87%

(1) One finance lease has a remaining term of 968 years. The weighted-average lease term excluding the lease with a remaining term of 968 years is 4 years.

(2) Upon adoption of ASC 842, Kodak's incremental borrowing rate used for existing operating leases was established at January 1, 2019.

Lease Costs

The table below presents certain information related to the lease costs for finance and operating leases. Lease costs are presented gross of sublease income. See Kodak as Lessor section below for income from subleases.

(in millions)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Finance lease cost		
Amortization of leased assets	$ 1	$ 2
Interest on lease liabilities	—	—
Operating lease cost	6	13
Variable lease cost	2	3
Total lease cost	$ 9	$ 18

Other Information

The table below presents supplemental cash flow information related to leases.

(in millions)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 6	$ 13
Operating cash flow for finance leases	—	—
Financing cash flow for finance leases	—	1
	$ 6	$ 14

Undiscounted Cash Flows

The table below reconciles the undiscounted cash flows for the next five years and thereafter to the finance lease liabilities and operating lease liabilities recorded on the balance sheet.

(in millions)	Operating Leases	Finance Leases
Q3 - Q4 2019	$ 12	$ 1
2020	25	1
2021	9	1
2022	6	1
2023	5	—
Thereafter	29	113
Total minimum lease payments	86	117
Less: amount of lease payments representing interest	32	(113)
Present value of future minimum lease payments	54	4
Less: current obligations under leases	(26)	(1)
Long-term lease obligations	$ 28	$ 3

Future minimum contractual lease payments for operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2018 were as follows:

(in millions)	At December 31, 2018
2019	$ 20
2020	21
2021	13
2022	3
2023	3
Thereafter	7
	$ 67

Kodak as lessor

Kodak places its own equipment at customer sites under sales-type and operating lease arrangements. Arrangements classified as sales-type leases generally transfer title to the equipment by the end of the lease term or have a lease term that is for a major part of the remaining economic life of the equipment; and collectability is considered probable. If the arrangement meets the criteria for a sales-type lease but collectability is not considered probable, Kodak will not derecognize the asset and will record all payments received as a liability until the earlier of collectability becoming probable or the lease is terminated. Contracts with customers may include multiple performance obligations including equipment, optional software licenses and service agreements. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Kodak has no direct financing leases.

The Eastman Business Park segment's core operations are to lease real estate. Kodak also leases underutilized portions of real estate properties to third parties under both operating lease and sublease agreements. Payments received under operating lease agreements as part of the Eastman Business Park segment are reported in Revenues in the Consolidated Statement of Operations. Payments received under lease agreements for underutilized space are reported as cost reductions in Cost of revenues, SG&A expenses, R&D costs and Other charges, net.

The lease arrangements are for various periods and are generally renewable. Renewal options and/or termination options are factored into the determination of lease payments if considered probable. Kodak does not separate lease and non-lease components of contracts for real estate leases.

Kodak's net investment in sales-type leases as of June 30, 2019 and December 31, 2018 were $4 million and $3 million, respectively. The current portion of the net investment in sales-type leases is included in Trade receivables in the Consolidated Statement of Financial Position. The portion of the net investment in sales-type leases due after one year is included in Other long-term assets.

The table below reconciles the undiscounted cash flows to be received for the next five years and thereafter to the net investment in sales-type leases recorded on the balance sheet:

(in millions)		
Q3 - Q4 2019	$	1
2020		2
2021		1
2022 and thereafter		1
Total minimum lease payments		5
Less: unearned interest		(1)
Less: allowance for doubtful accounts		—
Net investment in sales-type leases	$	4

Undiscounted cash flows to be received for the next five years and thereafter for operating leases and subleases are:

(in millions)		
Q3 - Q4 2019	$	7
2020		8
2021		7
2022		6
2023		4
Thereafter		18
Total minimum lease payments	$	50

Equipment subject to operating leases and the related accumulated depreciation were as follows:

(in millions)		**June 30, 2019**		**December 31, 2018**
Equipment subject to operating leases	$	37	$	34
Accumulated depreciation		(22)		(19)
Equipment subject to operating leases, net	$	15	$	15

Equipment subject to operating leases, net is included in Property, plant and equipment, net in the Consolidated Statement of Financial Position.

Income recognized on operating lease arrangements for the quarter and six months ended June 30, 2019 is presented below (income recognized for sales-type lease arrangements is $0 million)):

(in millions)		**Three Months Ended June 30, 2019**		**Six Months Ended June 30, 2019**
Lease income - operating leases:				
Lease income	$	2	$	4
Sublease income		2		4
Variable lease income		1		2
Total lease income	$	5	$	10

NOTE 10: COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the Company had outstanding letters of credit of $80 million issued under the ABL Credit Agreement, as well as bank guarantees and letters of credit of $3 million, surety bonds in the amount of $40 million, and restricted cash and deposits of $42 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's Brazilian operations are disputing these matters and intend 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, 2019, 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 $10 million.

In connection with assessments in Brazil, local regulations may require Kodak's Brazilian operations to post security for a portion of the amounts in dispute. As of June 30, 2019, Kodak's Brazilian operations have posted security composed of $4 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 $60 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 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.

NOTE 11: GUARANTEES

EKC guarantees obligations to third parties for some of its consolidated subsidiaries. The maximum amount guaranteed is $2 million and the outstanding amount for those guarantees is less than $1 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, 2018 to June 30, 2019, 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, 2018	$	22
New extended warranty and maintenance arrangements in 2019		49
Recognition of extended warranty and maintenance arrangement revenue in 2019		(51)
Deferred revenue on extended warranties as of June 30, 2019	$	20

NOTE 12: REVENUE

Disaggregation of Revenue

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

(in millions)	Three Months Ended June 30, 2019 Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
Plates, inks and other consumables	$ 158	$ 9	$ —	$ 3	$ —	$ —	$ 170
Ongoing service arrangements (1)	32	18	11	1	—	—	62
Total Annuities	190	27	11	4	—	—	232
Equipment & Software	17	2	3	—	—	—	22
Film and chemicals	—	—	—	42	—	—	42
Other (2)	—	—	—	8	—	3	11
Total	$ 207	$ 29	$ 14	$ 54	$ —	$ 3	$ 307

(in millions)	Six Months Ended June 30, 2019 Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
Plates, inks and other consumables	$ 307	$ 17	$ —	$ 6	$ —	$ —	$ 330
Ongoing service arrangements (1)	64	36	22	2	—	—	124
Total Annuities	371	53	22	8	—	—	454
Equipment & Software	28	8	6	—	—	—	42
Film and chemicals	—	—	—	80	—	—	80
Other (2)	—	—	—	15	2	5	22
Total	$ 399	$ 61	$ 28	$ 103	$ 2	$ 5	$ 598

(in millions)	Three Months Ended June 30, 2018						
	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
Plates, inks and other consumables	$ 176	$ 8	$ —	$ 4	$ —	$ —	$ 188
Ongoing service arrangements (1)	33	20	12	1	—	—	66
Total Annuities	209	28	12	5	—	—	254
Equipment & Software	18	5	4	—	—	—	27
Film and chemicals	—	—	—	41	—	—	41
Other (2)	—	—	—	7	1	2	10
Total	$ 227	$ 33	$ 16	$ 53	$ 1	$ 2	$ 332

(in millions)	Six Months Ended June 30, 2018						
	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
Plates, inks and other consumables	$ 343	$ 16	$ —	$ 9	$ —	$ —	$ 368
Ongoing service arrangements (1)	67	39	24	1	—	—	131
Total Annuities	410	55	24	10	—	—	499
Equipment & Software	33	9	8	—	—	—	50
Film and chemicals	—	—	—	82	—	—	82
Other (2)	—	—	—	13	2	4	19
Total	$ 443	$ 64	$ 32	$ 105	$ 2	$ 4	$ 650

(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, print and managed media services, tenant rent and related property management services and licensing.

Product Portfolio Summary:

(in millions)	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
	Three Months Ended June 30, 2019						
Growth engines (1)	$ 45	$ 18	$ 14	$ 7	$ —	$ —	$ 84
Strategic other businesses (2)	155	—	—	44	—	3	202
Planned declining businesses (3)	7	11	—	3	—	—	21
	$ 207	$ 29	$ 14	$ 54	$ —	$ 3	$ 307

(in millions)	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
	Six Months Ended June 30, 2019						
Growth engines (1)	$ 85	$ 39	$ 28	$ 15	$ 2	$ —	$ 169
Strategic other businesses (2)	298	—	—	82	—	5	385
Planned declining businesses (3)	16	22	—	6	—	—	44
	$ 399	$ 61	$ 28	$ 103	$ 2	$ 5	$ 598

(in millions)	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
	Three Months Ended June 30, 2018						
Growth engines (1)	$ 39	$ 19	$ 16	$ 7	$ 1	$ —	$ 82
Strategic other businesses (2)	180	—	—	42	—	2	224
Planned declining businesses (3)	8	14	—	4	—	—	26
	$ 227	$ 33	$ 16	$ 53	$ 1	$ 2	$ 332

(in millions)	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
	Six Months Ended June 30, 2018						
Growth engines (1)	$ 74	$ 37	$ 32	$ 13	$ 2	$ —	$ 158
Strategic other businesses (2)	350	—	—	83	—	4	437
Planned declining businesses (3)	19	27	—	9	—	—	55
	$ 443	$ 64	$ 32	$ 105	$ 2	$ 4	$ 650

(1) Growth engines consist of Sonora, PROSPER, Kodak Software, AM3D, excluding intellectual property (IP) licensing, 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, Motion Picture and Industrial Film and Chemicals in the Brand, Film and Imaging segment, Eastman Business Park and IP 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 Brand, Film and Imaging segment, Versamark in the Enterprise Inkjet Systems segment and Digimaster in the Print Systems segment.

Geography:

	Three Months Ended June 30, 2019						
(in millions)	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
United States	$ 56	$ 11	$ 7	$ 34	$ —	$ 3	$ 111
Canada	4	1	—	1	—	—	6
North America	60	12	7	35	—	3	117
Europe, Middle East and Africa	82	11	5	6	—	—	104
Asia Pacific	53	6	1	13	—	—	73
Latin America	12	—	1	—	—	—	13
Total Sales	$ 207	$ 29	$ 14	$ 54	$ —	$ 3	$ 307

	Six Months Ended June 30, 2019						
(in millions)	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
United States	$ 110	$ 26	$ 13	$ 65	$ 2	$ 5	$ 221
Canada	7	1	1	1	—	—	10
North America	117	27	14	66	2	5	231
Europe, Middle East and Africa	159	21	10	10	—	—	200
Asia Pacific	100	12	3	26	—	—	141
Latin America	23	1	1	1	—	—	26
Total Sales	$ 399	$ 61	$ 28	$ 103	$ 2	$ 5	$ 598

(in millions)	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
	Three Months Ended June 30, 2018						
United States	$ 60	$ 11	$ 7	$ 33	$ 1	$ 2	$ 114
Canada	3	—	1	1	—	—	5
North America	63	11	8	34	1	2	119
Europe, Middle East and Africa	93	13	5	5	—	—	116
Asia Pacific	57	8	2	14	—	—	81
Latin America	14	1	1	—	—	—	16
Total Sales	$ 227	$ 33	$ 16	$ 53	$ 1	$ 2	$ 332

(in millions)	Print Systems	Enterprise Inkjet Systems	Kodak Software	Brand, Film and Imaging	Advanced Materials and 3D Printing Technology	Eastman Business Park	Total
	Six Months Ended June 30, 2018						
United States	$ 117	$ 22	$ 14	$ 65	$ 2	$ 4	$ 224
Canada	6	—	2	2	—	—	10
North America	123	22	16	67	2	4	234
Europe, Middle East and Africa	186	25	11	10	—	—	232
Asia Pacific	106	15	4	27	—	—	152
Latin America	28	2	1	1	—	—	32
Total Sales	$ 443	$ 64	$ 32	$ 105	$ 2	$ 4	$ 650

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, 2019 and December 31, 2018 were $2 million and $3 million, respectively, and are reported in Other current assets 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, 2019 and December 31, 2018 were $56 million and $48 million, respectively, of which $37 million and $42 million, respectively, are reported in Other current liabilities and $19 million and $6 million, respectively, are reported in Other long-term liabilities in the Consolidated Statement of Financial Position.

Revenue recognized for the quarter and six months ended June 30, 2019 and 2018 that was included in the contract liability balance at the beginning of the year was $5 million and $30 million in 2019, respectively, and $4 million and $27 million in 2018, respectively, and primarily represented revenue from prepaid service contracts and equipment revenue recognition. Contract liabilities as of June 30, 2019 included $20 million and $23 million of cash payments received during the quarter and six months ended June 30, 2019, respectively. Contract liabilities as of June 30, 2018 included $23 million and $30 million of cash payments received during the quarter and six months ended June 30, 2018, respectively.

Unsatisfied Performance Obligations

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, 2019, there was approximately $79 million of unrecognized revenue from unsatisfied performance obligations. Approximately 20% of the revenue from unsatisfied performance obligations is expected to be recognized in the rest of 2019, 30% in 2020, 15% in 2021 and 35% thereafter.

NOTE 13: OTHER OPERATING (INCOME) EXPENSE, NET

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Expense (income):				
Transition services agreement income	$ (2)	$ —	$ (2)	$ —
Loss (gain) on sale of assets	1	(1)	1	$ (2)
Other	1	(1)	1	—
Total	$ —	$ (2)	$ —	$ (2)

NOTE 14: OTHER (INCOME) CHARGES, NET

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Change in fair value of embedded conversion features derivative liability (1)	$ (3)	$ (7)	$ (2)	$ 7
Loss on foreign exchange transactions	1	7	1	9
Loss on early retirement of debt	1	—	1	—
Other	1	1	1	1
Total	$ —	$ 1	$ 1	$ 17

(1) Refer to Note 23, "Financial Instruments".

NOTE 15: INCOME TAXES

Tax Asset Protection Plan and Protective Amendment

The Company's ability to use its tax attributes (primarily comprised of net operating losses and foreign tax credits) to offset tax on U.S. taxable income would be limited if there were an "ownership change" as defined under Section 382 of the U.S. Internal Revenue Code (the "Code"). In general, an ownership change would occur if "5-percent shareholders," as defined under Section 382, collectively increase their ownership in the Company by more than 50 percentage points over a rolling three-year period.

On July 12, 2019, the Company filed a preliminary information statement in connection with the (1) issuance and sale of the Convertible Notes, (2) adoption of a protective amendment (the "Protective Amendment") to restrict certain transfers of Common Stock in order to preserve the tax treatment of the Company's U.S. tax attributes and (3) adoption of a tax asset protection plan (the "Proposed Plan") to deter certain transfers of the Common Stock in order to preserve the tax treatment of the Company's U.S. tax attributes. The protections will become effective shortly after 20 days have elapsed following the filing and distributing of the Definitive Information Statement.

The Protective Amendment

The Protective Amendment is designed to prevent certain transfers of the Company's securities that could result in an ownership change under Section 382 of the Code and, therefore, inhibit the Company's ability to use its tax attributes to reduce future income taxes. The purpose of the Protective Amendment is to protect the long-term value to the Company of its accumulated tax attributes by limiting direct or indirect transfers of the Common Stock that would result in a shareholder owning 10% or more of the then-outstanding Common Stock or in an existing ten percent shareholder acquiring more than an additional 1,000,000 shares. In addition, the Protective Amendment includes a mechanism to block the impact of such transfers while allowing purchasers to receive their money back from prohibited purchases.

Proposed Plan

The Proposed Plan is designed to deter any person from buying the Common Stock (or any interest in the Common Stock) if the acquisition would result in a shareholder owning 10% or more of the then-outstanding Common Stock or an existing ten percent shareholder acquiring more than an additional 1,000,000 shares. The Proposed Plan is intended to protect shareholder value by attempting to preserve the Company's ability to use its tax attributes to reduce its future income tax liability.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2019**	**2018**	**2019**	**2018**
(Loss) earnings from continuing operations before income taxes	$ (4)	$ 3	$ (13)	$ (18)
Effective tax rate	(50.0)%	—	(38.5)%	(22.2)%
Provision for income taxes	2	—	5	4
(Benefit) provision for income taxes at U.S. statutory tax rate	(1)	1	(3)	(4)
Difference between tax at effective vs. statutory rate	$ 3	$ (1)	$ 8	$ 8

For the three months ended June 30, 2019, the difference between Kodak's recorded provision and the benefit that would result from applying 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 six months ended June 30, 2019, the difference between Kodak's recorded provision and the benefit that would result from applying 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, 2018, the difference between Kodak's recorded benefit and the provision that would result from applying 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 recorded provision and the benefit that would result from applying 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.

NOTE 16: 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 2019 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 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, 2019 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, 2018	$ 6	$ 2	$ —	$ 8
Q1 charges	2	—	—	2
Q1 utilization/cash payments	(2)	—	—	(2)
Q1 other adjustments and reclasses (2)	(1)	—	—	(1)
Balance as of March 31, 2019	$ 5	$ 2	$ —	$ 7
Q2 charges - continuing operations	$ 2	$ —	$ —	$ 2
Q2 charges - discontinued operations	1	—	—	1
Q2 utilization/cash payments	(2)	—	—	(2)
Q2 other adjustments and reclasses (2)	(1)	—	—	(1)
Balance as of June 30, 2019	$ 5	$ 2	$ —	$ 7

(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, 2019 $2 million of charges was reported as Restructuring costs and other, and $1 million was reported in Income from discontinued operations.

The severance costs for the three months ended June 30, 2019 related to the elimination of approximately 35 positions including approximately 5 manufacturing/service positions, and 30 administrative and sales positions. The geographic composition of these positions includes approximately 20 in the United States and Canada and 15 throughout the rest of the world.

For the six months ended June 30, 2019 $4 million of charges was reported as Restructuring costs and other, and $1 million was reported in Income from discontinued operations.

The severance costs for the six months ended June 30, 2019 related to the elimination of approximately 75 positions including approximately 20 manufacturing/service positions, and 55 administrative and sales positions. The geographic composition of these positions includes approximately 40 in the United States and Canada and 35 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 2019.

NOTE 17: 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:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
(in millions)	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Major defined benefit plans:								
Service cost	$ 2	$ 1	$ 3	$ 1	$ 5	$ 2	$ 6	$ 2
Interest cost	31	3	27	3	61	6	55	6
Expected return on plan assets	(54)	(5)	(56)	(6)	(107)	(11)	(112)	(13)
Amortization of:								
Prior service credit	(1)	—	(2)	—	(3)	—	(4)	—
Actuarial loss	—	1	2	1	—	2	3	2
Net pension income before special termination benefits	(22)	—	(26)	(1)	(44)	(1)	(52)	(3)
Special termination benefits	1	—	1	—	2	—	1	—
Curtailment (gain)	(2)	—	—	—	(2)	—	—	—
Net pension income from major plans	(23)	—	(25)	(1)	(44)	(1)	(51)	(3)
Other plans	—	(3)	—	—	—	(4)	—	—
Total net pension cost (income)	$ (23)	$ (3)	$ (25)	$ (1)	$ (44)	$ (5)	$ (51)	$ (3)

For the three and six months ended June 30, 2019 the special termination benefits charges were incurred as a result of Kodak's restructuring actions and have been included in Restructuring costs and other in the Consolidated Statement of Operations for those periods.

The $2 million curtailment gain for the three and six months ended June 30, 2019 was incurred as a result of the sale of FPD and is included in Income from discontinued operations in the Consolidated Statement of Operations. In addition, the amounts shown for Other plans include $5 million of settlement gains for the three and six months ended June 30, 2019 due to the transfer of non-major, non-U.S. pension liabilities as a result of the sale of FPD. These amounts are also included in Income from discontinued operations in the Consolidated Statement of Operations.

NOTE 18: 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 quarter and six months ended June 30, 2019 and 2018 follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
(Loss) income from continuing operations	$ (6)	$ 3	$ (18)	$ (22)
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 from continuing operations available to common shareholders - basic and diluted	$ (11)	$ (2)	$ (28)	$ (32)
Net income (loss)	$ 201	$ 4	$ 183	$ (21)
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 income (loss) available to common shareholders - basic and diluted	$ 196	$ (1)	$ 173	$ (31)

As a result of the net loss from continuing operations available to common shareholders for the quarter and six months ended June 30, 2019 and 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 the quarter and six months ended June 30, 2019 and 2018, the calculation of diluted earnings per share would have included the assumed conversion of 0.5 million and 0.4 million of unvested restricted stock units for the quarter and six months ending June 30, 2019, respectively, and 0.3 million of unvested restricted stock units for both periods in 2018.

The computation of diluted earnings per share for the quarter and six months ended June 30, 2019 and 2018 excluded the impact of (1) the assumed conversion of 2.0 million shares of Series A convertible preferred shares and (2) the assumed conversion of outstanding employee stock options of 7.2 million both for the three and six months ending June 30, 2019 and 4.9 million and 4.8 million in the three and six months ending June 30, 2018, respectively, because the effects would have been anti-dilutive. The computation of diluted earnings per share for the quarter ended June 30, 2019 also excluded the assumed conversion of $100 million of Convertible Notes because the effects would have been anti-dilutive. In addition, the computation of diluted earnings per share for the quarter and six months ended June 30, 2018 excluded the impact of (1) the assumed conversion of net share settled warrants to purchase 1.8 million shares of common stock at an exercise price of $14.93 and (2) the assumed conversion of net share settled warrants to purchase 1.8 million shares of common stock at an exercise price of $16.12 because the effects would have been anti-dilutive. The net share settled warrants terminated at the close of business on September 3, 2018.

NOTE 19: 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, 2019 and December 31, 2018, there were 43.0 million and 42.8 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, 2019 and December 31, 2018.

NOTE 20: OTHER COMPREHENSIVE INCOME (LOSS)

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

		Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)		2019	2018	2019	2018
Currency translation adjustments		$ 1	$ (20)	$ 4	$ (7)
Pension and other postretirement benefit plan changes					
Newly established net actuarial gain		5	1	5	1
Tax Provision		(2)	—	(2)	—
Newly established net actuarial gain, net of tax		3	1	3	1
Reclassification adjustments:					
Amortization of prior service credit	(a)	(3)	(2)	(4)	(4)
Amortization of actuarial losses	(a)	2	1	2	2
Recognition of (gains) losses due to curtailments and settlements		(2)	—	(2)	1
Total reclassification adjustments		(3)	(1)	(4)	(1)
Tax provision		—	—	—	—
Reclassification adjustments, net of tax		(3)	(1)	(4)	(1)
Pension and other postretirement benefit plan changes, net of tax		—	—	(1)	—
Other comprehensive income (loss)		$ 1	$ (20)	$ 3	$ (7)

(a) Reclassified to Total Net Periodic Benefit Cost - refer to Note 16, "Retirement Plans and Other Postretirement Benefits".

NOTE 21: SEGMENT INFORMATION

Change in Segments

Effective in January 2019 Kodak changed its organizational structure. Kodak Technology Solutions, formerly part of the Software and Solutions segment, was moved into the Consumer and Film segment. The Consumer and Film segment was renamed the Brand, Film & Imaging segment.

The Unified Workflow Solutions business, formerly part of the Software and Solutions segment, will operate as a dedicated segment named Kodak Software segment.

Financial information is reported for six reportable segments: Print Systems, Enterprise Inkjet Systems, Kodak Software, Brand, Film and Imaging, 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.

Kodak Software: The Kodak Software segment is comprised of the Software business.

Brand, Film and Imaging: The Brand, Film and Imaging segment is comprised of five lines of business: Consumer Products, Industrial Film and Chemicals, Motion Picture, Kodak Services for Business ("KSB") and Kodakit.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Print Systems	$ 207	$ 227	$ 399	$ 443
Enterprise Inkjet Systems	29	33	61	64
Kodak Software	14	16	28	32
Brand, Film and Imaging	54	53	103	105
Advanced Materials and 3D Printing Technology	—	1	2	2
Eastman Business Park	3	2	5	4
Consolidated total	$ 307	$ 332	$ 598	$ 650

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

(in millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Print Systems	$ 7	$ 6	$ 12	$ 9
Enterprise Inkjet Systems	(3)	1	(3)	1
Kodak Software	—	1	(1)	2
Brand, Film and Imaging	(2)	(5)	(9)	(12)
Advanced Materials and 3D Printing Technology	(3)	(4)	(5)	(8)
Eastman Business Park	—	(1)	(1)	(3)
Total of reportable segments	(1)	(2)	(7)	(11)
Depreciation and amortization	(14)	(19)	(29)	(37)
Restructuring costs and other	(2)	(2)	(4)	(4)
Stock based compensation	(2)	(1)	(5)	(3)
Consulting and other costs (1)	(2)	(4)	(5)	(7)
Idle costs (2)	(2)	—	(3)	(1)
Former CEO separation agreement compensation	—	—	(2)	—
Other operating (expense) income, net, excluding income from transition services agreement (3)	(2)	2	(2)	2
Interest expense (4)	(5)	(2)	(8)	(4)
Pension income excluding service cost component (4)	26	32	53	64
Other income (charges), net (4)	—	(1)	(1)	(17)
Consolidated (loss) income from continuing operations before income taxes	$ (4)	$ 3	$ (13)	$ (18)

(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 and the costs, net of any rental income received, of underutilized portions of certain properties.

(3) $2 million of income from the transition services agreement with the Purchaser was recognized in the quarter and year-to-date period ended June 30, 2019. The income was reported in Other operating income, net in the Consolidated Statement of Operations. Other operating income, net is typically excluded from the segment measure. However, the income from the transition services agreement was included in the segment measure.

(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; former CEO separation agreement compensation; other operating (expense) income, net (unless otherwise indicated); goodwill impairment losses; interest expense; and other (income) charges, 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 2019 the segment measure was changed to exclude the costs, net of any rental income received, of underutilized portions of certain properties. Additionally, the allocation of costs from EBP to the Brand, Film and Imaging segment and Advanced Materials and 3D Printing Technology segment as tenants of EBP and to each of the segments as users of shared corporate space at the global headquarters changed. Prior year results have been revised to reflect these changes.

NOTE 22: DISCONTINUED OPERATIONS

Discontinued operations of Kodak include the former Flexographic Packaging segment comprised of Kodak's Flexographic Packaging Business ("FPD").

Kodak consummated the sale of certain assets of FPD to the Purchaser on April 8, 2019 for net cash consideration at closing, in addition to the assumption by Purchaser of certain liabilities of FPD, of $320 million, pursuant to the Stock and Asset Purchase Agreement ("SAPA") signed in November 2018 and amended in March 2019. Assets and liabilities of FPD in China were transferred at a deferred closing on July 1, 2019 for net cash consideration of $5.9 million at closing and a promissory note for $1.6 million in addition to the assumption by Purchaser of certain liabilities of FPD, in accordance with the SAPA. Kodak operated FPD in China, subject to certain covenants, until the deferred closing occurred. Kodak will deliver to (or receive from) the Purchaser a true-up payment reflecting the actual economic benefit (or detriment) attributable to the operation of FPD in China from the time of the initial closing through the time of the deferred closing.

The divested business has the right to use Kodak's corporate brand for a 10-year period related to Covered Products (as defined in the SAPA) for no additional consideration. Therefore, $10 million of consideration received for the sale of FPD has been recognized as deferred revenue related to the brand license. The deferred revenue is reported in Long-term liabilities in the Consolidated Statement of Financial Condition and will be recognized as revenue over the term of the license. Proceeds were allocated between the sale of FPD and the brand license based on their relative fair values.

Kodak recognized a gain on the sale of FPD of $207 million during the second quarter of 2019. The gain excluded recognition of the portion of the purchase price related to the deferred closing of $7.5 million.

Simultaneously with entering into the SAPA, the Company and the Purchaser entered into an Earn-out Agreement, pursuant to which the Company will be entitled to an aggregate of up to $35 million in additional cash consideration if FPD achieves agreed EBITDA targets for 2018 ($10 million earn-out), 2019 ($10 million earn-out) and 2020 ($15 million earn-out). The EBITDA target for 2018 was not achieved.

On April 16, 2019 the Purchaser paid Kodak $15 million as a prepayment for services and products to be provided by Kodak to the Purchaser. The Purchaser has the option to satisfy its payment obligations to Kodak through a reduction of the prepayment balance or in cash. As of June 30, 2019, the remaining prepayment balance is $13 million.

The results of operations of FPD are classified as discontinued operations in the Consolidated Statement of Operations for all periods presented. Direct operating expenses of the discontinued operations are included in the results of discontinued operations. Indirect expenses that were historically allocated to the discontinued operations have been included in the results of continuing operations. Prior period results have been reclassified to conform to the current period presentation. Additionally, the assets and liabilities associated with FPD in China are classified as held for sale in the Consolidated Statement of Financial Position as of June 30, 2019 and the assets and liabilities associated with FPD are classified as held for sale December 31, 2018.

The results of operations of the Business are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2019**	**2018**	**2019**	**2018**
Revenues	$ 5	$ 38	$ 44	$ 75
Cost of revenues	2	22	28	44
Selling, general and administrative expenses	2	4	10	8
Research and development costs	—	2	2	4
Interest expense	—	7	7	13
Gain on divestiture	(210)	—	(210)	—
Income (loss) from discontinued operations before taxes	211	3	207	6
Provision for income taxes	4	2	6	5
Income (loss) from discontinued operations	$ 207	$ 1	$ 201	$ 1

After the initial closing, Kodak was required to use a portion of the proceeds from the sale of FPD to repay $312 million of the loans under the Term Credit Agreement. Interest expense on debt that was required to be repaid as a result of the sale was allocated to discontinued operations.

Approximately $2 million and $6 million of transaction costs are included in Selling, general and administrative expenses in the quarter and year-to-date period ending June 30, 2019, respectively.

The following table presents the aggregate carrying amount of major assets and liabilities of FPD:

(in millions)	June 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ —	$ 2
Trade receivables, net	1	28
Inventories, net	—	33
Property, plant and equipment, net	—	28
Goodwill	—	20
Intangible assets	—	1
Other assets	—	1
Assets of business held for sale	$ 1	$ 113
LIABILITIES		
Accounts payable, trade	$ —	$ 9
Pension and other postretirement liabilities	—	4
Other current liabilities	—	7
Liabilities of business held for sale	$ —	$ 20

A dedicated entity of FPD had intercompany receivables with Kodak of approximately $5 million as of December 31, 2018 that are part of the proposed transaction but are not reflected in the table above as these amounts have been eliminated in deriving the consolidated financial statements.

The following table presents cash flow information associated with FPD:

	June 30,	
(in millions)	2019	2018
Depreciation	$ —	$ 1
Amortization	—	—
Capital expenditures	—	2

Depreciation and amortization of long-lived assets of FPD included in discontinued operations ceased as of December 1, 2018.

NOTE 23: 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 (income) charges, net in the Consolidated Statement of Operations). The notional amount of such contracts open at June 30, 2019 and December 31, 2018 was approximately $390 million and $415 million, respectively. The majority of the contracts of this type held by Kodak as of June 30, 2019 and December 31, 2018 are denominated in euros, Japanese yen, Chinese renminbi and Swiss francs.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Net (loss) gain from derivatives not designated as hedging instruments	$ (1)	$ 6	$ 3	$ 6

Kodak had no derivatives designated as hedging instruments for the quarter and six months ended June 30, 2019 and 2018.

In the event of a default under the ABL 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 7, “Debt and Finance Leases”, the Company concluded that the Convertible Notes are considered more akin to a debt-type instrument and that the economic characteristics and risks of the embedded conversion features and term extension option were not considered clearly and closely related to the Convertible Notes. The embedded conversion features not considered clearly and closely related are the conversion at the option of the holder (“Optional Conversion”) and the conversion in the event of a fundamental change or reorganization (“Fundamental Change or Reorganization Conversion”). Accordingly, these embedded conversion features and term extension option were bifurcated from the Convertible Notes 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, 2019 and is reported in Other long-term liabilities 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, net in the Consolidated Statement of Operations.

As discussed in Note 8, “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 an asset position at both June 30, 2019 and December 31, 2018, and is reported in Other long-term assets 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, 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 Other current assets 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 June 30, 2019 and December 31, 2018 was $1 million and $3 million, respectively. The gross fair value of foreign currency forward contracts in a liability position as of June 30, 2019 and December 31, 2018 was $0 million and $1 million, respectively.

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 quarter and six months ended June 30, 2019.

The fair value of the embedded conversion features and term extension option derivatives are calculated using unobservable inputs (Level 3 fair measurements). The value of the Optional Conversion associated with both the Convertible Notes and Series A Preferred Stock is calculated using a binomial lattice model. The value of the term extension option reflects the probability weighted average value of the Convertible Notes using the original maturity date and a hypothetical extended maturity date, with all other contractual terms unchanged.

The following tables present the key inputs in the determination of fair value for the embedded conversion features and termination option derivatives:

Convertible Notes:

	Valuation Date	
	June 30, 2019	**May 24, 2019 (Inception)**
Total value of embedded derivative liability ($ millions)	$ 14	$ 14
Kodak's closing stock price	$ 2.40	$ 2.31
Expected stock price volatility	87.35%	92.48%
Risk free rate	1.74%	2.13%
Yield on the convertible notes	12.09%	11.98%

Series A Preferred Stock:

	Valuation Date	
	June 30, 2019	**December 31, 2018**
Total value of embedded derivative asset ($ millions)	$ 6	$ 4
Kodak's closing stock price	$ 2.40	$ 2.55
Expected stock price volatility	87.35%	95.55%
Risk free rate	1.73%	2.46%
Yield on the preferred stock	17.52%	23.77%

The Fundamental Change and Reorganization Conversion values at issuance were calculated as the difference between the total value of the Convertible Notes or Series A Preferred Stock, as applicable, and the sum of the net present value of the cash flows if the Convertible Notes are repaid at their initial maturity date or Series A Preferred Stock is redeemed on its fifth anniversary and the values of the other embedded derivatives. The Fundamental Change and Reorganization Conversion values reduce the value of the embedded conversion features and term extension option derivative liability. Other than events which 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 for the Series A Preferred Stock exceeded the value of the Optional Conversion and Mandatory Conversion values at both June 30, 2019 and December 31, 2018 resulting in the Series A Preferred Stock 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 $105 million and $5 million at June 30, 2019 and December 31, 2018, respectively. At December 31, 2018, the fair value of current portion of long-term debt was also 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 value of current portion of long-term debt was $378 million at December 31, 2018.

The carrying values of cash and cash equivalents and restricted cash approximate their fair values at both June 30, 2019 and December 31, 2018.
The fair value of the current portion of long-term debt at June 30, 2019 approximates its carrying value.

NOTE 24: SUBSEQUENT EVENT

On August 3, 2019 Kodak reached an agreement with Lucky HuaGuang Graphics Co. Ltd (“HuaGuang”) to establish a strategic relationship in the People’s Republic of China. The relationship will be comprised of an agreement for Kodak to sell its shares of the Kodak (China) Graphic Communication Co. Ltd. entity which includes the offset printing plates facility in Xiamen, China, and related assets and liabilities, to HuaGuang, a supply agreement from HuaGuang to Kodak and a license agreement under which Kodak licenses its plates technology to HuaGuang to sell into the plates market in China. The relationship is expected to be established at a closing in the third quarter of 2019, subject to the satisfaction of customary closing conditions.

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, 2018 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 the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2019, 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 fund continued investments, capital needs and restructuring payments and service its debt and Series A Preferred Stock;
- Kodak's ability to discontinue, sell or spin-off certain businesses or operations or otherwise monetize assets;
- 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 ABL 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, except as required by law.

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 graphic communications market and is developing products for the functional printing markets**.** Kodak also offers brand licensing and intellectual property opportunities and provides products and services for motion pictures and other commercial films.

Revenue decreased $25 million and $52 compared to the prior year quarter and first six months (8% for each period), including the unfavorable impact of currency ($9 million and $20 million) in the current year quarter and first six months, respectively.

Kodak's strategy is to:

- Focus product investment in the following growth engines - Sonora, Ultrastream, Advanced Materials and 3D Printing and Software
- 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:

- Kodak has eliminated current debt service requirements by paying down the Term Credit Agreement using proceeds from the sale of FPD and refinancing the remaining balance through the issuance of convertible debt which does not require any debt service until conversion or maturity on November 1, 2021. However, Kodak has significant cash requirements to fund ongoing operations, restructuring programs, pension and other postretirement obligations, and other obligations. Kodak's plans to return to positive cash flow include growing revenues profitably, reducing operating expenses, simplifying the organizational structure, generating cash from additional asset sales and paring investment in new technology by eliminating or delaying product development programs.
- Print Systems' revenues accounted for approximately 67% of Kodak's revenues for both the quarter and six months ended June 30, 2019. Print Systems' revenues decreased $20 million (9%) and $44 million (10%) compared with the prior year quarter and first six months, respectively, including the unfavorable impact of currency ($7 million and $16 million, respectively). Segment earnings improved $1 million (17%) and $3 million (33%) compared to the prior year quarter and first six months, respectively, as refunds of aluminum tariffs which were paid by Kodak over the last two quarters of 2018 and cost improvements exceeded the impact of declining revenues. 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.
- The Kodak Software segment's revenues declined $2 million (13%) and $4 million (13%) compared to the prior year quarter and first six months, respectively, primarily reflecting volume declines.
- Brand, Film and Imaging revenues improved $1 million compared with the prior year quarter (2%) and declined $2 million compared with the prior year first six months (2%). The segment loss improved $3 million compared with both the prior year quarter (60%) and first six months (25%). 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, and selling and leasing excess capacity in its properties.

CURRENT KODAK OPERATING MODEL AND REPORTING STRUCTURE

Kodak has six reportable segments: Print Systems; Enterprise Inkjet Systems; Kodak Software; Brand, Film and Imaging; 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 ("OEM") 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 business model is further supplemented by consumption of other consumables including refurbished jetting modules and service.

- The focus of the Prosper business is on developing the next generation platform, Ultrastream, with solutions that place writing systems in OEMs 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. The Prosper business secured its first agreement in the fourth quarter of 2018 with an industry OEM, who will integrate Ultrastream in a packaging press solution.

- 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.

Kodak Software
The Kodak Software segment is comprised of the Software business. The Software business 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 products 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 Software business includes digital front-end controllers which manage the delivery of personalized content to digital presses while controlling color and print consistency.

Brand, Film and Imaging
The Brand, Film and Imaging segment is comprised of five lines of business: Consumer Products, Industrial Film and Chemicals, Motion Picture, Kodak Services for Business ("KSB") and Kodakit. Sales in KSB are project-based and can vary from year to year depending on the nature and number of projects in existence that year.

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.
- 3rd party sales of Specialty Inks and Dispersions.

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.

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.

Kodak Services for Business:

- 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:

- 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.

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. Product solutions in Advanced Materials and 3D Printing are in the process of being commercialized, and there are new business opportunities with identified markets and customers.

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

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 micro 3D printing solutions such as printed electronics. In addition, for macro 3D printing, AM3D manufactures and sells a specialty material to a 3D printing customer.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Print Systems	$ 207	$ 227	$ 399	$ 443
Enterprise Inkjet Systems	29	33	61	64
Kodak Software	14	16	28	32
Brand, Film and Imaging	54	53	103	105
Advanced Materials and 3D Printing Technology	—	1	2	2
Eastman Business Park	3	2	5	4
Consolidated total	$ 307	$ 332	$ 598	$ 650

Segment Operational EBITDA and Consolidated Loss from Continuing Operations Before Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Print Systems	$ 7	$ 6	$ 12	$ 9
Enterprise Inkjet Systems	(3)	1	(3)	1
Kodak Software	—	1	(1)	2
Brand, Film and Imaging	(2)	(5)	(9)	(12)
Advanced Materials and 3D Printing Technology	(3)	(4)	(5)	(8)
Eastman Business Park	—	(1)	(1)	(3)
Depreciation and amortization	(14)	(19)	(29)	(37)
Restructuring costs and other	(2)	(2)	(4)	(4)
Stock based compensation	(2)	(1)	(5)	(3)
Consulting and other costs (1)	(2)	(4)	(5)	(7)
Idle costs (2)	(2)	—	(3)	(1)
Former CEO separation agreement compensation	—	—	(2)	—
Other operating (expense) income, net, excluding income from transition services agreement (3)	(2)	2	(2)	2
Interest expense (4)	(5)	(2)	(8)	(4)
Pension income excluding service cost component (4)	26	32	53	64
Other income (charges), net (4)	—	(1)	(1)	(17)
Consolidated (loss) income from continuing operations before income taxes	$ (4)	$ 3	$ (13)	$ (18)

(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 and the costs, net of any rental income received, of underutilized portions of certain properties.

(3) $2 million of income from the transition services agreement with the Purchaser was recognized in the quarter and year-to-date period ended June 30, 2019. The income was reported in Other operating income, net in the Consolidated Statement of Operations. Other operating income, net is typically excluded from the segment measure. However, the income from the transition services agreement was included in the segment measure.

(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 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; former CEO separation agreement compensation; other operating (expense) income, net (unless otherwise indicated); goodwill impairment losses; interest expense; and other income (charges), net.

Kodak's segments are measured using Operational EBITDA both before and after allocation of corporate selling, general and administrative expenses. 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 2019 the segment measure was changed to exclude the costs, net of any rental income received, of underutilized portions of certain properties. Additionally, the allocation of costs from EBP to the Brand, Film and Imaging segment and Advanced Materials and 3D Printing Technology segment as tenants of EBP and to each of the segments as users of shared corporate space at the global headquarters changed. Prior year results have been revised to reflect these changes.

2019 COMPARED WITH 2018
SECOND QUARTER RESULTS OF OPERATIONS

	Three Months Ended June 30,					Six Months Ended June 30,				
(in millions)	2019	% of Sales	2018	% of Sales	$ Change	2019	% of Sales	2018	% of Sales	$ Change
Revenues	$ 307		$ 332		$ (25)	$ 598		$ 650		$ (52)
Cost of revenues	265		287		(22)	516		567		(51)
Gross profit	42	14%	45	14%	(3)	82	14%	83	13%	(1)
Selling, general and administrative expenses	54	18%	59	18%	(5)	113	19%	117	18%	(4)
Research and development costs	11	4%	12	4%	(1)	22	4%	25	4%	(3)
Restructuring costs and other	2	1%	2	1%	—	4	1%	4	1%	—
Other operating income, net	—	0%	(2)	(1)%	2	—	0%	(2)	(0)%	2
Loss from continuing operations before interest expense, other charges, net and income taxes	(25)	(8)%	(26)	(8)%	1	(57)	(10)%	(61)	(9)%	4
Interest expense	5	2%	2	1%	3	8	1%	4	1%	4
Pension income excluding service cost component	(26)	(8)%	(32)	(10)%	6	(53)	(9)%	(64)	(10)%	11
Other (income) charges, net	—	0%	1	0%	(1)	1	0%	17	3%	(16)
(Loss) earnings from continuing operations before income taxes	(4)	(1)%	3	1%	(7)	(13)	(2)%	(18)	(3)%	5
Provision for income taxes	2	1%	—	0%	2	5	1%	4	1%	1
(Loss) earnings from continuing operations	(6)	(2)%	3	1%	(9)	(18)	(3)%	(22)	(3)%	4
Income from discontinued operations, net of income taxes	207	67%	1	0%	206	201	(34)%	1	0%	200
Net income (loss)	$ 201	65%	$ 4	1%	$ 197	$ 183	31%	$ (21)	(3)%	$ 204

Revenue

Current Quarter

For the three months ended June 30, 2019 revenues declined $25 million compared with the same period in 2018, driven by volume and pricing declines within Print Systems ($11 million and $2 million, respectively) and unfavorable foreign currency ($9 million). See segment discussions for additional details.

Year to date

For the six months ended June 30, 2019 revenues declined $52 million compared with the same period in 2018, driven by volume and pricing declines within Print Systems ($21 million and $8 million, respectively) and unfavorable foreign currency ($20 million). See segment discussions for additional details.

Gross Profit

Current Quarter

The decline in gross profit for the three months ended June 30, 2019 of approximately $3 million compared with the same period in 2018 reflected unfavorable pricing and product mix in Print Systems ($4 million), lower selling prices in Enterprise Inkjet Systems ($4 million) and volume declines in Enterprise Inkjet Systems and Kodak Software (each $1 million) partially offset by improved costs in Brand, Film and Imaging ($4 million) and lower depreciation and amortization ($4 million). See segment discussions for additional details.

Year to date

The decline in gross profit for the six months ended June 30, 2019 of approximately $1 million compared with the same period in 2018 reflected unfavorable pricing and product mix in Print Systems ($9 million), lower volume in Enterprise Inkjet Systems, Kodak Software and Brand, Film and Imaging (each $2 million) and unfavorable foreign currency ($2 million) partially offset by cost improvements in Brand, Film and Imaging ($6 million), refunds of aluminum tariffs paid by Kodak in the last half of 2018 in Print Systems ($2 million) and lower depreciation and amortization expense ($8 million). See segment discussions for additional details.

Selling, General and Administrative Expenses

Consolidated SG&A decreased $5 million for the quarter ended June 30, 2019 primarily due to lower investment in segment selling and marketing activities ($4 million) as well as lower consulting and project costs ($2 million). Consolidated SG&A decreased $4 million in the six months ended June 30, 2019 primarily due to lower investment in segment selling and marketing activities ($5 million) partially offset by $2 million of compensation included in the former CEO separation agreement.

Research and Development Costs

Consolidated R&D expenses decreased $1 million and $3 million for the quarter and six months ended June 30, 2019 primarily due to the reduced level of investment across the segments.

Interest Expense

Interest expense of $7 million was allocated to discontinued operations in the three months ended June 30, 2018. Interest expense of $7 million and $13 million was allocated to discontinued operations for the six months ended June 30, 2019 and 2018, respectively.

PRINT SYSTEMS SEGMENT

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	2019	2018	$ Change	2019	2018	$ Change
Revenues	$ 207	$ 227	$ (20)	$ 399	$ 443	$ (44)
Operational EBITDA	$ 7	$ 6	$ 1	$ 12	$ 9	$ 3
Operational EBITDA as a % of revenues	3%	3%		3%	2%	

Revenues

Current Quarter

The decrease in Print Systems revenues for the three months ended June 30, 2019 of approximately $20 million primarily reflected volume and pricing declines ($7 million and $3 million, respectively) in Prepress Solutions consumables, volume declines and unfavorable product mix in Electrophotographic Printing Solutions consumables and service (each $1 million) and volume declines in Electrophotographic Printing Solutions equipment ($1 million) as well as unfavorable foreign currency ($7 million).

Year to Date
The decrease in Print Systems revenues for the six months ended June 30, 2019 of approximately $44 million primarily reflected volume and pricing declines ($14 million and $5 million, respectively) in Prepress Solutions consumables and service, volume declines and unfavorable product mix in Electrophotographic Printing Solutions consumables and service (each $3 million) and volume declines and unfavorable product mix in Electrophotographic Printing Solutions equipment ($2 million and $1 million, respectively) as well as unfavorable foreign currency ($16 million).

Operational EBITDA

Current Quarter
Print Systems Operational EBITDA for the three months ended June 30, 2019 improved $1 million compared to the prior year reflecting manufacturing cost improvements ($2 million) in Electrophotographic Printing Solutions and lower investment in sales and marketing activities ($2 million) partially offset by pricing declines ($3 million) in Prepress Solutions consumables and service.

Year to Date
Print Systems Operational EBITDA for the six months ended June 30, 2019 improved $3 million compared to the prior year reflecting lower investment in sales and marketing activities ($4 million), refunds of aluminum tariffs which were paid by Kodak in the last half of 2018 ($2 million) in Prepress Solutions consumables, manufacturing cost improvements ($2 million) in Electrophotographic Printing Solutions and favorable foreign currency ($2 million) partially offset by volume and pricing declines ($2 million and $5 million, respectively) in Prepress Solutions consumables and service and unfavorable product mix in Electrophotographic Printing Solutions ($2 million).

During 2018 U.S. tariffs imposed on aluminum purchases were included as part of the cost of printing plates sold. In January 2019, Kodak received retroactive exemptions on U.S. tariffs for aluminum. Due to the exemptions, all aluminum tariffs paid by Kodak in prior periods have been recognized as a cost reduction in the current year-to-date period.

ENTERPRISE INKJET SYSTEMS SEGMENT

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	2019	2018	$ Change	2019	2018	$ Change
Revenues	$ 29	$ 33	$ (4)	$ 61	$ 64	$ (3)
Operational EBITDA	$ (3)	$ 1	$ (4)	$ (3)	$ 1	$ (4)
Operational EBITDA as a % of revenues	(10)%	3%		(5)%	2%	

Revenues

Current Quarter
The decline in Enterprise Inkjet Systems revenues for the three months ended June 30, 2019 of approximately $4 million primarily reflected lower volume of VERSAMARK service and consumables ($3 million) due to declines in the installed base of VERSAMARK systems and lower volume of PROSPER components ($3 million) partially offset by higher volume of PROSPER service and consumables ($2 million).

Year to Date
The decline in Enterprise Inkjet Systems revenues for the six months ended June 30, 2019 of approximately $3 million primarily reflected lower volume of VERSAMARK service and consumables ($5 million) due to declines in the installed base of VERSAMARK systems, lower volume of PROSPER components ($4 million) and the unfavorable impact of currency ($2 million) partially offset by higher volume of PROSPER systems ($3 million) and service and consumables ($4 million).

Operational EBITDA
Enterprise Inkjet Systems Operational EBITDA for the quarter and six months ended June 30, 2019 each declined $4 million primarily due to pricing declines in Prosper Systems ($3 million) and lower volume of Prosper components ($1 million).

KODAK SOFTWARE SEGMENT

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	2019	2018	$ Change	2019	2018	$ Change
Revenues	$ 14	$ 16	$ (2)	$ 28	$ 32	$ (4)
Operational EBITDA	$ —	$ 1	$ (1)	$ (1)	$ 2	$ (3)
Operational EBITDA as a % of revenues	0%	6%		(4)%	6%	

Revenues

Kodak Software revenues for the three and six months ended June 30, 2019 declined $2 million and $4 million primarily due to lower volume ($2 million and $4 million, respectively).

Operational EBITDA

Kodak Software Operational EBITDA declined $1 million and $3 million for the quarter and six months ended June 30, 2019 compared to the prior year quarter primarily due to lower sales volumes ($1 million and $2 million, respectively).

BRAND, FILM AND IMAGING SEGMENT

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2019**	**2018**	**$ Change**	**2019**	**2018**	**$ Change**
Revenues	$ 54	$ 53	$ 1	$ 103	$ 105	$ (2)
Operational EBITDA	$ (2)	$ (5)	$ 3	$ (9)	$ (12)	$ 3
Operational EBITDA as a % of revenues	(4)%	(9)%		(9)%	(11)%	

Revenues

Current Quarter

The increase in Brand, Film and Imaging revenues for the three months ended June 30, 2019 of approximately $1 million was primarily due to higher revenues in Motion Picture ($5 million) driven by higher volume of color negative film 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 Industrial Film and Chemicals ($3 million).

Year to Date

The decrease in Brand, Film and Imaging revenues for the six months ended June 30, 2019 of approximately $2 million was primarily due to lower volume in Industrial Film and Chemicals ($4 million), volume declines in Consumer Inkjet Systems ($3 million) driven by lower sales of ink to the existing installed base of printers, and the unfavorable impact of currency ($2 million) partially offset by favorable volume in Motion Picture ($4 million) and Kodakit ($1 million).

Operational EBITDA

Current Quarter

Brand, Film and Imaging Operational EBITDA for the three months ended June 30, 2019 improved $3 million compared with the prior year quarter primarily reflecting cost improvements in Motion Picture ($2 million) and Industrial Film and Chemicals ($1 million) offset by volume declines in Consumer Inkjet Systems driven by lower sales of ink to the existing installed base of printers ($1 million).

Year to Date

Brand, Film and Imaging Operational EBITDA for the six months ended June 30, 2019 improved $3 million compared with the prior year quarter primarily reflecting cost improvements in Motion Picture ($2 million) and Industrial Film and Chemicals ($1 million) and lower investment in sales and marketing activities ($1 million) offset by volume declines in Consumer Inkjet Systems driven by lower sales of ink to the existing installed base of printers ($2 million).

ADVANCED MATERIALS AND 3D PRINTING TECHNOLOGY SEGMENT

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2019**	**2018**	**$ Change**	**2019**	**2018**	**$ Change**
Revenues	$ —	$ 1	$ (1)	$ 2	$ 2	$ —
Operational EBITDA	$ (3)	$ (4)	$ 1	$ (5)	$ (8)	$ 3
Operational EBITDA as a % of revenues	N/M	N/M		(250)%	N/M	

Operational EBITDA

Advanced Materials and 3D Printing Technology Operational EBITDA for the quarter and six months ended June 30, 2019 improved by approximately $1 million and $3 million, respectively, primarily due to a lower level of investment in R&D activities.

EASTMAN BUSINESS PARK SEGMENT

(in millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Three Months Ended June 30, $ Change	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Six Months Ended June 30, $ Change
Revenues	$ 3	$ 2	$ 1	$ 5	$ 4	$ 1
Operational EBITDA	$ —	$ (1)	$ 1	$ (1)	$ (3)	$ 2
Operational EBITDA as a % of revenues	0%	(50)%		(20)%	(75)%	

Operational EBITDA
Eastman Business Park Operational EBITDA for the quarter and six months ended June 30, 2019 improved by $1 million and $2 million, respectively, primarily due to lower utility and maintenance costs.

RESTRUCTURING COSTS AND OTHER

Kodak recorded $3 million and $5 million of charges for the quarter and six months ended June 30, 2019, respectively, $1 million of which was reported in Income from discontinued operations for each respective time period in the Consolidated Statement of Operations, with the remainder reported as Restructuring costs and Other.

Kodak made cash payments related to restructuring of approximately $2 million and $4 million during the quarter and six months ended June 30, 2019, respectively.

The restructuring actions implemented in the first six months of 2019 are expected to generate future annual cash savings of approximately $7 million. These savings are expected to reduce future annual Cost of revenues and SG&A expenses by $2 million and $5 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 the third quarter of 2019 as actions are completed.

LIQUIDITY AND CAPITAL RESOURCES

Kodak is facing liquidity challenges due to operating losses and negative cash flow. Kodak has eliminated current debt service requirements by paying down the Term Credit Agreement using proceeds from the sale of FPD and refinancing the remaining balance through the issuance of convertible debt which does not require any debt service until conversion or maturity on November 1, 2021. However, Kodak has significant cash requirements to fund ongoing operations, restructuring programs, pension and other postretirement obligations, and other obligations. Kodak's plans to return to positive cash flow include growing revenues profitably, reducing operating expenses, simplifying the organizational structure, generating cash from additional asset sales and paring investment in new technology by eliminating or delaying product development programs. The current cash balance outside of China, recent trend of negative cash flow and lack of certainty regarding the return to positive cash flow raise substantial doubt about Kodak's ability to continue as a going concern.

Refer to the Going Concern section of Note 1, "Basis of Presentation and Recent Accounting Pronouncements"; Note 7, "Debt and Finance Leases," and Note 8, "Redeemable, Convertible Series A Preferred Stock" in the Notes to Financial Statements for further discussion.

(in millions)	June 30, 2019	December 31, 2018
Cash, cash equivalents, restricted cash and cash in assets held for sale	$ 258	$ 267

Cash Flow Activity

(in millions)	Six Months Ended June 30, 2019	2018	Change
Cash flows from operating activities:			
Net cash used in operating activities	$ (13)	$ (49)	$ 36
Cash flows from investing activities:			
Net cash provided by (used in) investing activities	297	(16)	313
Cash flows from financing activities:			
Net cash used in financing activities	(294)	(8)	(286)
Effect of exchange rate changes on cash	1	(3)	4
Net decrease in cash, cash equivalents and restricted cash	$ (9)	$ (76)	$ 67

Operating Activities

Net cash used in operating activities improved $36 million for the six months ended June 30, 2019 as compared with the corresponding period in 2018 primarily due to lower cash spend on inventory, higher build of accounts payable, the allocation of $10 million of the proceeds from the divestiture of FPD as consideration for a brand license, and the receipt of a $15 million prepayment for transition services, products, and other services as a part of the divestiture of FPD partially offset by lower cash earnings and less cash provided by the decline in accounts receivable.

Investing Activities

Net cash provided by investing activities improved $313 million for the six months ended June 30, 2019 as compared with the corresponding period in 2018 due to the proceeds from the sale of FPD and reduced capital spend.

Financing Activities

Net cash used in financing activities increased $286 million in the six months ended June 30, 2019 as compared with the corresponding period in 2018 driven by the repayment of the Term Credit Agreement partially offset by the issuance of the Convertible Notes.

Sources of Liquidity

Available liquidity includes cash balances and the unused portion of the ABL Credit Agreement. The ABL Credit Agreement had $24 million of net availability ("Excess Availability") as of June 30, 2019. The amount of available liquidity is subject to fluctuations and includes cash balances held by various entities worldwide. At June 30, 2019 and December 31, 2018 approximately $90 million and $117 million, respectively, of cash and cash equivalents were held within the U.S. and approximately $126 million and $131 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, 2019 and December 31, 2018, outstanding inter-company loans to the U.S. were $426 million and $390 million, respectively, which includes short-term inter-company loans from Kodak's international finance center of $128 million and $92 million, respectively**.** In China, where approximately $59 million and $72 million of cash and cash equivalents was held as of June 30, 2019 and December 31, 2018, respectively, 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 ABL Credit Agreement, the Company is permitted to invest up to $100 million in subsidiaries and joint ventures that are not party to the ABL Credit Agreement.

On April 16, 2019, the Purchaser paid Kodak $15 million in the U.S. as a prepayment for transition services and products and services to be provided by Kodak to the Purchaser. Kodak has provided a $15 million guaranty, supported by cash collateral in China, to the Purchaser. The Purchaser has the option to satisfy its payment obligations to Kodak through a reduction of the prepayment balance or in cash. When the Purchaser satisfies its payment obligations to Kodak by utilizing its prepayment balance, Kodak can follow a guaranty amendment process to reduce the amount of its guaranty and cash collateral supporting the prepayment balance. As of June 30, 2019, the remaining prepayment balance is $13 million and the cash collateral supporting Kodak's guaranty is $15 million.

On August 3, 2019 Kodak reached an agreement with Lucky HuaGuang Graphics Co. Ltd ("HuaGuang") to establish a strategic relationship in the People's Republic of China. The relationship will be comprised of an agreement for Kodak to sell its shares of the Kodak (China) Graphic Communication Co. Ltd. entity which includes the offset printing plates facility in Xiamen, China, and related assets and liabilities, to HuaGuang, a supply agreement for HuaGuang to help Kodak fulfill customer demand and a license agreement under which Kodak licenses its plates technology to HuaGuang with the intent of expanding the plates market in China. The relationship is expected to be established at a closing in the third quarter of 2019, subject to the satisfaction of customary closing conditions. At the closing Kodak expects to receive net cash proceeds of $22.5 million, of which $13.5 million is expected to be received in the United States. As part of the closing, an escrow of $15.5 million will be established by Kodak in China to secure various ongoing obligations under the agreements.

Under the ABL Credit Agreement, if Excess Availability ($24 million at June 30, 2019) falls below 12.5% of lender commitments ($18.75 million at June 30, 2019), Kodak would be required to be in compliance with the minimum Fixed Charge Coverage Ratio (the only financial covenant in the ABL 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 ABL 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, 2019, Kodak is not required to have a minimum Fixed Charge Coverage Ratio of 1.0 to 1.0. As of June 30, 2019 Fixed Charges exceeded EBITDA (as defined in the ABL Credit Agreement) by approximately $6 million.

During the second quarter of 2017, the Company reduced the amount of outstanding letters of credit issued under the ABL 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 credit ratings, the Company was required to provide $6 million in letters of credit to the issuers of the surety bonds during the third quarter of 2018. The Company could be required to provide up to an additional $13 million of letters of credit to the issuers of the surety bonds in the future to fully collateralize the bonds.

As of June 30, 2019 and December 31, 2018, Kodak had funded $11 million and $3 million, respectively, to the Eligible Cash account held with the ABL Credit Agreement Administrative Agent which was classified as Restricted cash in the Consolidated Statement of Financial Position, supporting the Excess Availability amount.

Defined Benefit Pension and Postretirement Plans

Kodak made net contributions (funded plans) or paid benefits (unfunded plans) totaling approximately $11 million to its defined benefit pension and postretirement benefit plans in the first six months of 2019. For the balance of 2019, the forecasted contribution (funded plans) and benefit payment (unfunded plans) requirements for its pension and postretirement plans are approximately $11 million.

Capital Expenditures

Cash flow from investing activities included $5 million of capital expenditures for the six months ended June 30, 2019. Kodak expects approximately $10 million to $20 million of total capital expenditures for 2019.

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 Executive Chairman and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Kodak's management, with participation of Kodak's Executive Chairman 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 Executive Chairman 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, 2019, Kodak's Brazilian Operations maintained accruals of approximately $4 million for claims aggregating approximately $159 million inclusive of interest and penalties where appropriate. In connection with assessments and litigation in Brazil, local regulations may require Kodak's Brazilian Operations to post security for a portion of the amounts in dispute. 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 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. 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 five 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 remaining growth businesses may not grow or continue to generate the same or enough cash flow to offset businesses with declining cash flows and investments needed for certain growth businesses. It may take Kodak longer to generate positive cash flow from operations than planned, which would have a material adverse effect on its liquidity and financial position. If Kodak is unable to generate positive cash flow from operations in the future 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 or limited.

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 able 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 its debt agreements, could significantly increase.

If Kodak is unable to successfully develop, fund and commercialize products in certain businesses upon which it is focused or do so within an acceptable timeframe, 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'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, particularly following the recent completion of the sale of its Flexographic Packaging Division. 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.

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;
- wrong, inaccurate or changing business assumptions on which such acquisitions or combinations are predicated;
- 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, Kodak is exposed to fluctuations in foreign currency exchange rates, interest rates and commodity costs which, together with tariffs that may be imposed, 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 and other raw materials and components imported by Kodak, tariffs imposed from time to time may give rise to future cost increases. Tariffs or duties may also be imposed on exported products produced by Kodak, making such products less competitive in jurisdictions imposing such tariffs or duties. 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.

In June 2016, the United Kingdom (the "UK") held a referendum in which voters opted for the country's exit from the EU, commonly referred to as Brexit and, accordingly, the UK is scheduled to leave the EU on October 31, 2019 (unless delayed). The UK government has been negotiating with the EU on terms for such exit but no agreement has yet been reached. Leaving without any agreement on terms would lead to disruption to UK/EU trade. However, we have put appropriate plans in place for continuity of supply and purchase of products, although there is likely to be some limited cost impact associated with these plans.

The prospect of Brexit has also caused global stock market volatility and currency exchange rate fluctuations that resulted in strengthening of the U.S. dollar relative to other foreign currencies in which we conduct business. There may also be broader uncertainty over the position the United States will take with respect to certain treaty and trade relationships with other countries. This uncertainty may impact (i) the ability or willingness of non-U.S. companies to transact business in the United States, including with our company, (ii) regulation and trade agreements affecting U.S. companies, (iii) global stock markets and (iv) general global economic conditions. All of these factors are outside of our control but may cause us to adjust our strategy in order to compete effectively in global markets and could adversely affect our business, financial condition, operating results and cash flows.

If Kodak is unable to successfully develop or commercialize new products or do so in a timely manner, 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, new generations of Sonora offset plates, and small particle technology) 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, all of 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 its 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 materials and supplies and the ability to acquire materials and 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.

The loss of one or more of Kodak's key personnel, or its failure to attract and retain other highly qualified personnel in the future, could harm its business.

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 graphic communications, packaging, 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.

Suppliers may choose to unilaterally withhold products, components or services. In addition, Kodak 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.

Any significant negative change in the payment terms that Kodak has with its suppliers could adversely affect its liquidity. There is a risk that Kodak's key suppliers could respond to any actual or apparent decrease in or any concern with its financial results or liquidity by requiring or conditioning their sale of goods or services to Kodak on more stringent or more costly payment terms, such as by requiring standby letters of credit, earlier or advance payment of invoices, payment upon delivery, or shorter payment terms. Kodak's need for additional liquidity could significantly increase and its supply could be materially disrupted if a significant portion of its key suppliers and vendors took one or more of the actions described above, which could have a material adverse effect on its sales, customer satisfaction, cash flows, liquidity and financial position.

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.

Kodak could be adversely impacted by a security breach, through cyber-attack, cyber intrusion, insider threats or otherwise, or other significant disruption of its IT networks and related systems or of those it operates for certain of its customers.

To effectively manage Kodak's global business, it depends 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 Kodak's 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 its business.

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

Kodak also provides IT-based products and services to its customers, and operates services used by its customers and hosted by Kodak, both businesses and consumers, and a breach of its security or reliability measures, or those of its third-party service providers, could negatively impact its customers' operations or data privacy.

Attacks on IT systems continue to grow in frequency, complexity and sophistication, and Kodak is regularly targeted by unauthorized parties using malicious tactics, code and viruses. It has programs in place to prevent, detect and respond to data or cyber security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, are increasingly more complex and sophisticated and may be difficult to detect for long periods of time, Kodak may be unable or fail to anticipate these techniques or implement adequate or timely preventive or responsive measures.

Failure to comply with anti-corruption laws and regulations, anti-money laundering laws and regulations, economic and trade sanctions, and similar laws could have a materially adverse effect on Kodak's reputation, results of operations or financial condition, or have other adverse consequences.

Regulators worldwide are exercising heightened scrutiny with respect to anti-corruption, economic and trade sanctions, and anti-money laundering laws and regulations. Such heightened scrutiny has resulted in more aggressive investigations and enforcement of such laws and more burdensome regulations, any of which could adversely impact Kodak's business. Kodak has a global operating presence, including in numerous developing economies where companies and government officials are more likely to engage in business practices that are prohibited by domestic and foreign laws and regulations, including the United States Foreign Corrupt Practices Act and the U.K. Bribery Act. Such laws generally prohibit improper payments or offers of payments to foreign government officials and leaders of political parties, and in some cases, to other persons, for the purpose of obtaining or retaining business. Kodak is also subject to economic and trade sanctions programs, including those administered by the U.S. Treasury Department's Office of Foreign Assets Control, which prohibit or restrict transactions or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially designated, including narcotics traffickers and terrorists or terrorist organizations, among others. In addition, Kodak is subject to anti-money laundering laws and regulations.

Kodak has implemented policies and procedures to monitor and address compliance with applicable anti-corruption, economic and trade sanctions and anti-money laundering laws and regulations, and it is continuously in the process of reviewing, upgrading and enhancing certain of its policies and procedures. However, there can be no assurance that its employees, consultants or agents will not take actions in violation of its policies for which it may be ultimately responsible, or that its policies and procedures will be adequate or will be determined to be adequate by regulators. Any violations of applicable anti-corruption, economic and trade sanctions or anti-money laundering laws or regulations could limit certain of Kodak's business activities until they are satisfactorily remediated and could result in civil and criminal penalties, including fines, which could damage its reputation and have a materially adverse effect on its results of operation or financial condition.

Failure to comply with privacy, data protection and cyber security laws and regulations could have a materially adverse effect on Kodak's reputation, results of operations or financial condition.

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") became effective on May 25, 2018 for all European Union ("EU") member states. The GDPR includes operational requirements for companies receiving or processing personal data of EU residents that are partially different from those previously in place and includes 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 issuing 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 determined the fair value of 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 products or raw materials imported into or exported from the U.S.;
- 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 continue to require 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, 2018 to December 31, 2018 on May 31, 2019. 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 ABL Credit Agreement or the Convertible Notes could result in an event of default under these facilities. If any default or event of default occurs and the Company is not able to either cure it or obtain a waiver from the requisite lenders under the ABL Credit Agreement, the administrative agent under the ABL Credit Agreement may, and at the request of the requisite lenders for that facility must, declare all of the Company’s outstanding obligations under the ABL Credit Agreement, together with accrued interest and fees, to be immediately due and payable. In addition, 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. If any default or event of default occurs and the Company is not able to either cure it or obtain a waiver from the holders of the Convertible Notes, such holders may declare all of the Company’s outstanding obligations under the Convertible Notes, together with accrued interest and fees, to be immediately due and payable. If applicable, the administrative agent under the ABL Credit Agreement and the collateral agent for the Convertible Notes could institute foreclosure proceedings against the pledged assets. Any of these outcomes would likely have an adverse effect on the Company’s operations and its ability to satisfy its obligations as they come due.

On March 31, 2019 Kodak obtained a waiver from the agent and lenders under the ABL Credit Agreement with respect to any event of default under the reporting covenant in the ABL Credit Agreement that may be deemed to occur in relation to the going concern explanatory paragraph contained in the audit report on Kodak’s financial statements as of and for the year ended December 31, 2018. There can be no assurance that Kodak will be able to obtain such a waiver if a going concern explanatory paragraph is contained in the audit report with respect to Kodak’s annual financial statements for future years. In the absence of such a waiver, the agent or lenders under the ABL Credit Agreement may take the position that such explanatory paragraph constitutes a default under the reporting covenant in the ABL Credit Agreement. For more information on the reporting covenants under the Credit Agreements and the potential impact of the explanatory paragraph in the audit report refer to Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Liquidity.”

We may require additional capital funding and such capital may not be available to us and/or may be limited.

Because of Kodak’s current non-investment grade credit rating and financial condition, and/or general conditions in the financial and credit markets, its access to the capital markets is limited. Moreover, the urgency of a capital-raising transaction may require it to pursue additional capital at an inopportune time or unattractive cost. The Company has issued approximately $80 million and $85 million of letters of credit under the ABL Credit Agreement as of June 30, 2019 and December 31, 2018, respectively. The maturity date of the ABL Credit Agreement is May 26, 2021. Upon the earlier of the maturity date or the termination of the revolving credit commitments under the ABL 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 ABL Credit Agreement.

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

- covenants in the ABL Credit Agreement and Convertible Notes;
- 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 projected financial performance and the financial performance and projected financial performance of its subsidiaries;
- its levels of debt and redemption obligations, including the maturity of the Convertible Notes on November 1, 2021, unless extended in accordance with their terms, and the mandatory redemption of the Series A Preferred Stock on November 15, 2021;
- its ability to generate positive cash flow;
- its ability to consummate asset sales or monetization transactions;
- its requirements for posting collateral under various commercial agreements;
- its credit ratings;

- 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 is likely to 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 Convertible Notes and ABL 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 loans under the Convertible Notes or, as necessary, its obligations under the ABL Credit Agreement before they become due. If Kodak is unable to amend, extend or refinance the Convertible Notes or ABL Credit Agreement before they become due, its ability to continue as a going concern would likely 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. In addition, the Company may not continue to maintain credit ratings from the recognized rating agencies. 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, Kodak's current non-investment grade credit rating and financial condition 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 a higher or investment grade rating or stronger financial condition. 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, given the Company's current credit ratings it would be required, if requested, to provide up to $13 million of additional 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 8, "Debt and Finance 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 $80 million of outstanding letters of credit and the $18.75 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 and would not be available to support ongoing working capital and investment needs.

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 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 Convertible Notes and ABL Credit Agreement 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 Convertible Notes and the ABL Credit Agreement, 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 Convertible Notes or 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 Convertible Notes are convertible into shares of the Company's common stock at a conversion rate of 314.9785 shares of common stock per $1,000 principal amount of Convertible Notes, and 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 Convertible Notes or 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 June 30, 2019, the conversion of all Convertible Notes would result in the issuance to holders thereof of approximately 42% of the outstanding common stock after giving effect to such conversion, 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, and the conversion of all Convertible Notes and all shares of the Series A Preferred Stock would result in the issuance to holders thereof of approximately 50% 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 Convertible Notes and Series A Preferred Stock, with such issuances being further dilutive to existing holders of common stock.

If Convertible Notes or shares of Series A Preferred Stock are 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 Convertible Notes or 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 Convertible Notes or Series A Preferred Stock or for issuance of additional shares of common stock pursuant to certain other features of the Convertible Notes or 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 and Convertible Notes 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. These holders also hold all of the Convertible Notes. If the holders converted all of the Convertible Notes, the holders would hold approximately 56% of the voting power of the Company on an as-converted basis and such conversion may constitute a change in control of the Company. 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. As of July 1, 2019, the Company is in arrears for three dividend payments.

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, and 11,494,200 shares of common stock, subject to anti-dilution adjustments, issuable upon the conversion of outstanding Series A Preferred Stock. The Company is also a party to a Registration Rights Agreement pursuant to which it is obligated under defined circumstances to register for resale the shares of common stock issuable upon conversion of the Convertible Notes. 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 or certain accumulations or transfers of the Company's securities 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 59% of its outstanding shares of common stock assuming the issuance of all common stock issuable upon the conversion of the Series A Preferred Stock, and, if it is required to register the common stock issuable upon the conversion of the Convertible Notes, the Company will have registered the resale of securities representing approximately 74% of its outstanding shares of common stock assuming the issuance of all common stock issuable upon the conversion of the Series A Preferred Stock and Convertible Notes. 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 and Convertible Notes or future issuances of securities by the Company, 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 14, "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.

As a result of the issuance of the Convertible Notes, transactions in the Company's securities during the applicable 3-year rolling test period are approaching the level that would constitute an ownership change for Section 382 purposes. Certain accumulations or transfers of the Company's securities, particularly prior to November 15, 2019, could cause an ownership change to occur. To seek to prevent and deter such accumulations or transfers, the Company is in the process of implementing an amendment to its certificate of incorporation to restrict certain transfers of common stock and a tax asset protection plan. The terms of the Series A Preferred Stock are also expected to be amended to give the Company the right to consent to transfers of Series A Preferred Stock that could result in an ownership change. Although these protections are intended to reduce the likelihood of an ownership change, they are subject to inherent limitations and may not prevent or deter all accumulations or transfers of Company securities that could result in an ownership change. Furthermore, the protections will not become effective until at least 20 days after a definitive information statement is distributed and provide no protection with respect to accumulations or transfers that occur prior to such date.

The Company's stock price has been and may continue to be volatile.

The market price of the Company's common stock has fluctuated substantially and may continue to fluctuate significantly. Future announcements or disclosures concerning the Company, its strategic initiatives, its sales and profitability, and quarterly variations in actual or anticipated operating results or comparable sales, any failure to meet analysts' expectations and sales of large blocks of its common stock, among other factors, could cause the market price of its common stock to fluctuate substantially.

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

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, 2019

Not Applicable

(b) Issuer purchases of equity securities during the quarter ended June 30, 2019

Repurchases related to Stock Compensation Plans (1):

	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
April 1 through 30	2,971	$ 3.12	n/a	n/a
June 1 through 30	2,082	$ 2.21	n/a	n/a
Total	5,053	$ 2.74		

(1) 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

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).
(4.1)	Form of Secured Convertible Note (Incorporated by reference to Exhibit (4.1) of the Company's Current Report on Form 8-K as filed May 24, 2019).
(4.2)	Guarantee and Collateral Agreement, dated as of May 24, 2019, from grantors as referred to therein as Grantors to Wilmington Trust, National Association, as collateral agent, and Longleaf Partners Small-Cap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust (Incorporated by reference to Exhibit (4.2) of the Company's Current Report on Form 8-K as filed May 24, 2019).
(4.3)	Registration Rights Agreement, dated as of May 24, 2019, by and among Eastman Kodak Company, Longleaf Partners SmallCap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust (Incorporated by reference to Exhibit (4.3) of the Company's Current Report on Form 8-K as filed May 24, 2019).
(10.1)	Notes Purchase Agreement, dated as of May 20, 2019, by and among Eastman Kodak Company, Longleaf Partners Small-Cap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust (Incorporated by reference to Exhibit (10.1) of the Company's Current Report on Form 8-K as filed May 21, 2019).
(10.2)	Amendment No. 1 to Shareholder Agreement, dated as of May 20, 2019 by and among Eastman Kodak Company, Southeastern Asset Management, Inc., Longleaf Partners Small-Cap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust (Incorporated by reference to Exhibit (10.2) of the Company's Current Report on Form 8-K as filed May 21, 2019).
(10.3)	Amendment No. 2 to Amended and Restated Credit Agreement, dated as of May 24, 2019 by and among Company, the subsidiary Guarantors, the lenders party thereto and Bank of America, N.A., as administrative and collateral agent (Incorporated by reference to Exhibit (10.1) of the Company's Current Report on Form 8-K as filed May 24, 2019).
(10.4)	Form of Voting and Support Agreement (Incorporated by reference to Exhibit (10.2) of the Company's Current Report on Form 8-K as filed May 24, 2019).
(31.1)	Certification signed by James V. Continenza, 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 James V. Continenza, 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 8, 2019

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

Exhibit (31.1)

CERTIFICATION

I, James V. Continenza, 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/ James V. Continenza
James V. Continenza
Executive Chairman

Date: August 8, 2019

Exhibit (31.2)

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 8, 2019

Exhibit (32.1)

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, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James V. Continenza, Executive Chairman 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/ James V. Continenza
James V. Continenza
Executive Chairman

Date: August 8, 2019

Exhibit (32.2)

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, 2019 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 8, 2019