

EASTMAN KODAK CO
Form 10-Q/A
May 31, 2005

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A

AMENDMENT TO APPLICATION OR REPORT

**Filed Pursuant to Section 13 or 15 (d) of
The Securities Exchange Act of 1934**

EASTMAN KODAK COMPANY

(Exact name of registrant as specified in its charter)

AMENDMENT NO. 1

EXPLANATORY NOTE

The purpose of this Amendment No. 1 to Eastman Kodak Company's Quarterly Report on Form 10-Q is to adjust the Company's consolidated financial statements and related disclosures for the three and six month periods ended June 30, 2004 and 2003. This filing should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2004. Adjustments to the consolidated financial statements for the three and six month periods ended June 30, 2004 and 2003 reflect the changes made in the Company's 2004 Annual Report on Form 10-K.

In April 2005, the Company restated its consolidated financial statements as of and for the year ended December 31, 2003. In addition, the Company restated its quarterly consolidated financial statements for each of the quarterly periods in 2003 and for the first three quarters of 2004. The restatement reflected adjustments to correct errors in the Company's accounting for income taxes, accounting for pensions and other postretirement benefits as well as other miscellaneous adjustments. The restatement resulted in the Company's adjusting its previously reported net earnings for the three and six month periods ended June 30, 2004 of \$154 million (\$.54 per share) and \$182 million (\$.64 per share), respectively, to net earnings of \$136 million (\$.48 per share) and \$157 million (\$.55 per share), respectively, and adjusting its previously reported net earnings for the three and six month periods ended June 30, 2003 of \$112 million (\$.39 per share) and \$124 million (\$.43 per share), respectively, to net earnings of \$118 million (\$.41 per share) and \$123 million (\$.43 per share), respectively. The nature and impact of these adjustments are described in Note 1: Basis of Presentation and Restatement in this Form 10-Q/A.

Generally, no attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q except as required to reflect the effects of the restatement. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures. Information not affected by the restatement is unchanged and reflects the disclosure made at the time of the original filing of the Form 10-Q with the Securities and Exchange Commission on August 5, 2004. Accordingly, this Form 10-Q/A should be read in conjunction with the Company's filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-Q. The following items have been amended as a result of the restatement:

- Part I - Item 1 - Financial Statements
- Part I - Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part I - Item 4 - Controls and Procedures; and
- Part II - Item 6 - Exhibits and Reports on Form 8-K

In addition, the Company's Form 10-Q/A for the period ended September 30, 2004 dated May 31, 2005, the Form 10-K for the period ended December 31, 2004 dated April 6, 2005, the Form 10-Q for the period ended March 31, 2005 dated May 9, 2005, the Form 8-K dated April 1, 2005, the Form 8-K dated April 22, 2005, the Form 8-K dated May 5, 2005, the Form 8-K dated May 10, 2005, the Form 8-K dated May 11, 2005 and the Form 8-K dated May 24, 2005 are hereby incorporated by reference.

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

EASTMAN KODAK COMPANY
(Registrant)

/s/ RICHARD G. BROWN, JR.

Richard G. Brown, Jr.
Controller

Date: May 31, 2005

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, 2004

or

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

For the transition period from to

Commission File Number 1-87

EASTMAN KODAK COMPANY

(Exact name of registrant as specified in its charter)

NEW JERSEY
(State of incorporation)

16-0417150
(IRS Employer Identification No.)

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

14650
(Zip Code)

Registrant's telephone number, including area code: **585-724-4000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YesNo

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YesNo

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

Class	Number of Shares Outstanding at July 31, 2004
Common Stock, \$2.50 par value	286,605,218

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Eastman Kodak Company
CONSOLIDATED STATEMENT OF EARNINGS

(in millions, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
	(Restated)	(Restated)	(Restated)	(Restated)
Net sales	\$ 3,464	\$ 3,258	\$ 6,384	\$ 5,897
Cost of goods sold	2,363	2,164	4,476	4,003
Gross profit	1,101	1,094	1,908	1,894
Selling, general and administrative expenses	615	708	1,164	1,267
Research and development costs	213	177	410	369
Restructuring costs and other	134	41	188	76
Earnings from continuing operations before interest, other income (charges), net and income taxes	139	168	146	182
Interest expense	43	34	87	71
Other income (charges), net	8	(9)	6	(30)
Earnings from continuing operations before income taxes	104	125	65	81
(Benefit) provision for income taxes	(15)	11	(62)	(15)
Earnings from continuing operations	119	114	127	96
Earnings from discontinued operations, net of income taxes	17	4	30	27
NET EARNINGS	\$ 136	\$ 118	\$ 157	\$ 123
Basic and diluted net earnings per share:				
Continuing operations	\$.42	\$.40	\$.44	\$.34
Discontinued operations	.06	.01	.11	.09
Total	\$.48	\$.41	\$.55	\$.43
Number of common shares used in basic earnings per share	286.6	286.5	286.6	286.4
Incremental shares from assumed conversion of options	0.0	0.1	0.1	0.2
Number of common shares used in diluted earnings per share	286.6	286.6	286.7	286.6

Eastman Kodak Company
CONSOLIDATED STATEMENT OF EARNINGS (Continued)
(in millions)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
	(Restated)	(Restated)	(Restated)	(Restated)
CONSOLIDATED STATEMENT OF RETAINED EARNINGS				
Retained earnings at beginning of period	\$ 7,536	\$ 7,602	\$ 7,515	\$ 7,611
Net earnings	136	118	157	123
Cash dividends declared	(72)	(258)	(72)	(258)
Loss from issuance of treasury stock	(1)	(1)	(1)	(15)
Retained earnings at end of quarter	\$ 7,599	\$ 7,461	\$ 7,599	\$ 7,461

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

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

	June 30, 2004	Dec. 31, 2003
	(Restated)	(Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 519	\$ 1,250
Receivables, net	2,605	2,327
Inventories, net	1,260	1,078
Deferred income taxes	654	596
Other current assets	129	129
Assets of discontinued operations	104	72
	<u>5,271</u>	<u>5,452</u>
Total current assets	5,271	5,452
Property, plant and equipment, net	4,795	5,051
Goodwill	1,418	1,349
Other long-term assets	3,188	2,929
Assets of discontinued operations	66	65
	<u>14,738</u>	<u>14,846</u>
TOTAL ASSETS	\$ 14,738	\$ 14,846
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 3,642	\$ 3,630
Short-term borrowings	1,043	946
Accrued income taxes	642	643
Liabilities of discontinued operations	37	36
	<u>5,364</u>	<u>5,255</u>
Total current liabilities	5,364	5,255
OTHER LIABILITIES		
Long-term debt, net of current portion	1,997	2,302
Pension and other postretirement liabilities	3,377	3,374
Other long-term liabilities	757	662
Liabilities of discontinued operations	4	8
	<u>11,499</u>	<u>11,601</u>
Total liabilities	11,499	11,601
SHAREHOLDERS' EQUITY		
Common stock at par	978	978
Additional paid in capital	850	850
Retained earnings	7,599	7,515
Accumulated other comprehensive loss	(331)	(238)
Unearned restricted stock	(6)	(8)
	<u>9,090</u>	<u>9,097</u>
Less: Treasury stock at cost	5,851	5,852
	<u>3,239</u>	<u>3,245</u>
Total shareholders' equity	3,239	3,245
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 14,738	\$ 14,846

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



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

	Six Months Ended June 30	
	2004	2003
	(Restated)	(Restated)
Cash flows relating to operating activities:		
Net earnings	\$ 157	\$ 123
Adjustments to reconcile to net cash provided by operating activities:		
Earnings from discontinued operations	(29)	(29)
Equity in losses from unconsolidated affiliates	4	30
Depreciation and amortization	469	406
Purchased research and development	10	21
Gain on sales of businesses/assets	(1)	
Restructuring costs, asset impairments and other non-cash charges	24	37
(Benefit) provision for deferred taxes	(120)	(19)
Increase in receivables	(204)	(164)
Increase in inventories	(76)	(69)
Decrease in liabilities excluding borrowings	(246)	(209)
Other items, net	45	96
	<u> </u>	<u> </u>
Total adjustments	(124)	100
	<u> </u>	<u> </u>
Net cash provided by continuing operations	33	223
	<u> </u>	<u> </u>
Net cash provided by discontinued operations	4	31
	<u> </u>	<u> </u>
Net cash provided by operating activities	37	254
	<u> </u>	<u> </u>
Cash flows relating to investing activities:		
Additions to properties	(182)	(232)
Net proceeds from sales of businesses/assets	1	
Acquisitions, net of cash acquired	(335)	(109)
Investments in unconsolidated affiliates	(31)	(41)
Marketable securities - purchases	(64)	(44)
Marketable securities - sales	58	43
	<u> </u>	<u> </u>
Net cash used in continuing operations	(553)	(383)
	<u> </u>	<u> </u>
Net cash used in discontinued operations	(2)	(4)
	<u> </u>	<u> </u>
Net cash used in investing activities	(555)	(387)
	<u> </u>	<u> </u>
Cash flows relating to financing activities:		
Net (decrease) increase in borrowings with original maturity of 90 days or less	(40)	129
Proceeds from other borrowings	89	715
Repayment of other borrowings	(257)	(466)
Exercise of employee stock options		12
	<u> </u>	<u> </u>
Net cash (used in) provided by financing activities	(208)	390

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Effect of exchange rate changes on cash	(5)	12
Net (decrease) increase in cash and cash equivalents	(731)	269
Cash and cash equivalents, beginning of year	1,250	569
Cash and cash equivalents, end of quarter	\$ 519	\$ 838

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

Eastman Kodak Company
NOTES TO FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION AND RESTATEMENT

The consolidated interim financial statements are unaudited, and certain information and footnote disclosure related thereto normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted in accordance with Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited consolidated financial statements were prepared following the same policies and procedures used in the preparation of the audited financial statements and reflect all adjustments (consisting of normal recurring adjustments) necessary to present fairly the results of operations, financial position, and cash flows of Eastman Kodak Company and its subsidiaries (the Company). The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. These consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2004. Certain amounts for prior periods were reclassified to conform to the current period classification. Additionally, reclassifications were made for the earnings or losses, balance sheet information and cash flows related to discontinued operations. Refer to Note 14, Discontinued Operations.

RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In April 2005, the Company restated its consolidated financial statements as of and for the year ended December 31, 2003. In addition, the Company restated its quarterly consolidated financial statements for each of the quarterly periods in 2003 and for the first three quarters of 2004. The restatement reflected adjustments to correct errors in the Company's accounting for income taxes, accounting for pensions and other postretirement benefits as well as other miscellaneous adjustments. The restatement resulted in the Company adjusting its previously reported net earnings for the three and six months ended June 30, 2004 of \$154 million (\$.54 per share) and \$182 million (\$.64 per share), respectively, to net earnings of \$136 million (\$.48 per share) and \$157 million (\$.55 per share), respectively, and adjusting its previously reported net earnings for the three and six months ended June 30, 2003 of \$112 million (\$.39 per share) and \$124 million (\$.43 per share), respectively, to net earnings of \$118 million (\$.41 per share) and \$123 million (\$.43 per share), respectively. The nature and impact of these adjustments are described below.

Income Taxes

During the 2004 year-end closing process, errors were discovered relating to the Company's accounting for income taxes, the majority of which related to the Company's foreign operations. The more significant errors affecting the three and six months ended June 30, 2004 that were discovered related to matters surrounding 1) inappropriately recognizing tax benefits associated with net operating loss carry forwards, 2) correcting deferred income tax accounts for book/tax differences in certain foreign subsidiaries, and 3) accruing interest expense on potential tax settlements with the Internal Revenue Service. The impact of these adjustments on previously reported net earnings for the three and six months ended June 30, 2004 amounted to a reduction of \$7 million and \$9 million, respectively. The more significant errors affecting the three and six months ended June 30, 2003 that were discovered related to matters surrounding correcting deferred income tax accounts for book/tax differences in certain foreign subsidiaries. The impact of these adjustments on previously reported net earnings for the three and six months ended June 30, 2003, excluding the impact of income tax adjustments related to periods prior to 2003, which are discussed below, amounted to an increase of \$7 million and \$5 million, respectively.

Pensions and Other Postretirement Benefits

During the 2004 year-end testing of the effectiveness of the Company's internal controls over financial reporting, the Company identified ineffective controls surrounding the reconciliation of participant census data between the Company's source systems and the information provided to the actuary in performing the actuarial valuation of the liabilities and net periodic benefits cost for the various domestic and international pension and other postretirement benefit plans. This control weakness resulted in incorrect participant data being utilized in the actuarial calculations. In addition, the Company had identified an error in the recorded amounts of its postretirement benefits expense. The Company has quantified the effect of these errors and the impact of these adjustments on previously reported net earnings for the three and six months ended June 30, 2004 amounted to a reduction of \$4 million and \$6 million, respectively. The impact of these adjustments on previously reported net earnings for the three and six months ended June 30, 2003, excluding the impact of pension and other postretirement benefit adjustments relating to periods prior to 2003, which are discussed below, amounted to an increase of \$1 million and \$2 million, respectively.

Other Adjustments

During 2004, the Company determined that its general ledger accounting system was inappropriately translating depreciation expense from its foreign operations, using a historical exchange rate rather than a current exchange rate for purposes of translating periodic depreciation expense. The impact of this adjustment on previously reported net earnings for the three and six months ended June 30, 2004 amounted to a reduction of \$6 million and \$13 million, respectively. Excluding amounts relating to periods prior to 2003, which are discussed below, the impact of this adjustment on previously reported net earnings for the three and six months ended June 30, 2003 amounted to a reduction of \$4 million and \$5 million, respectively.

During 2003, the Company recorded a charge to write-off an exclusivity payment made to a customer that had previously been recorded as an asset based on the Company's ability to recover a pro-rata portion of the payment in the event of a customer breach. The Company determined that this payment should have been written off prior to January 1, 2003. This adjustment had no impact on previously reported net earnings for the three and six months ended June 30, 2004. Excluding amounts relating to periods prior to 2003, which are discussed below, the impact of this adjustment on previously reported net earnings for the three and six months ended June 30, 2003 amounted to an increase of \$1 million and \$2 million, respectively.

In addition, the Company also determined that a number of individually immaterial adjustments were recorded in 2003 and 2004 that more appropriately belonged in different quarterly periods within 2003 or 2004 or in a period prior to January 1, 2003. The impact of these adjustments on previously reported net income for the three and six months ended June 30, 2004 amounted to a reduction of \$1 million and an increase of \$3 million, respectively. Excluding amounts relating to periods prior to 2003, which are discussed below, the impact of these adjustments on previously reported net earnings for the three and six months ended June 30, 2003 amounted to an increase of \$1 million and a reduction of \$4 million, respectively.

Adjustments relating to periods prior to 2003

As discussed above, certain of the adjustments, or portions thereof, made to restate the Company's 2004 and 2003 financial statements relate to periods prior to January 1, 2003. The following table summarizes these:

(in millions)

	<u>Income/(Loss)</u>
Income Tax	\$ 36
Pension and other postretirement benefits	(35)
Translation of depreciation expense	27
Exclusivity asset write-off	(21)
Other, miscellaneous	(8)
	<u> </u>
Net adjustment	<u>\$ (1)</u>

The Company has assessed the impact of the above items on each annual period prior to January 1, 2003 and determined that the impact of such errors is immaterial to each prior period. In addition, the Company has concluded that the net \$1 million adjustment is immaterial to net earnings, as adjusted, for the three and six months ended June 30, 2003 and for the full year ended December 31, 2003. Accordingly, the Company has recorded this net adjustment of \$1 million as an addition to Selling, general and administrative expenses for the three months ended March 31, 2003.

The impact on the Consolidated Statement of Earnings is presented below (in millions, except per share data). The impact of the above adjustments on the Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows is not presented, as it is immaterial.

	<u>For the Three Months Ended June 30, 2004</u>		<u>For the Six Months Ended June 30, 2004</u>	
	<u>As Previously Reported</u>	<u>Restated</u>	<u>As Previously Reported</u>	<u>Restated</u>
Consolidated Statement of Earnings:				
Net sales	\$ 3,469	\$ 3,464	\$ 6,388	\$ 6,384
Cost of goods sold	2,354	2,363	4,461	4,476
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross profit	1,115	1,101	1,927	1,908
Selling, general and administrative expenses	613	615	1,165	1,164
Research and development costs	212	213	409	410
Restructuring costs and other	135	134	185	188
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings from continuing operations, before interest, other income, net and income taxes	155	139	168	146
Interest expense	43	43	87	87
Other income, net	7	8	6	6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings from continuing operations before income taxes	119	104	87	65
Benefit for income taxes	(24)	(15)	(72)	(62)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings from continuing operations	<u>\$ 143</u>	<u>\$ 119</u>	<u>\$ 159</u>	<u>\$ 127</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings from discontinued operations, net of income taxes	<u>\$ 11</u>	<u>\$ 17</u>	<u>\$ 23</u>	<u>\$ 30</u>

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NET EARNINGS	\$	154	\$	136	\$	182	\$	157
		<u> </u>		<u> </u>		<u> </u>		<u> </u>
Basic and diluted net earnings per share:								
Continuing operations	\$.50	\$.42	\$.56	\$.44
Discontinued operations		.04		.06		.08		.11
		<u> </u>		<u> </u>		<u> </u>		<u> </u>
Total	\$.54	\$.48	\$.64	\$.55
		<u> </u>		<u> </u>		<u> </u>		<u> </u>

The following table reflects the impact of the aforementioned adjustments on selected components of the Company's Consolidated Statement of Earnings for the three months ended June 30, 2004:

	As Previously Reported	Pensions and Other Postretirement Benefits	Other	Tax	As Restated
Earnings (loss) from continuing operations before income taxes	\$ 119	\$ (7)	\$ (8)	\$	\$ 104
Provision (benefit) for income taxes	(24)	(3)	(1)	13	(15)
Earnings (loss) from continuing operations	143	(4)	(7)	(13)	119
Earnings from discontinued operations before income taxes	18				18
Provision (benefit) for income taxes	7			(6)	1
Earnings from discontinued operations	11			6	17
Net earnings (loss)	\$ 154	\$ (4)	\$ (7)	\$ (7)	\$ 136

The following table reflects the impact of the aforementioned adjustments on selected components of the Company's Consolidated Statement of Earnings for the six months ended June 30, 2004:

	As Previously Reported	Pensions and Other Postretirement Benefits	Other	Tax	As Restated
Earnings (loss) from continuing operations before income taxes	\$ 87	\$ (9)	\$ (13)	\$	\$ 65
Provision (benefit) for income taxes	(72)	(3)	(2)	15	(62)
Earnings (loss) from continuing operations	159	(6)	(11)	(15)	127
Earnings from discontinued operations before income taxes	38				38
Provision (benefit) for income taxes	15		(1)	(6)	8
Earnings from discontinued operations	23		1	6	30
Net earnings (loss)	\$ 182	\$ (6)	\$ (10)	\$ (9)	\$ 157

	For the Three Months Ended June 30, 2003		For the Six Months Ended June 30, 2003	
	As Previously Reported	Restated	As Previously Reported	Restated
Consolidated Statement of Earnings:				
Net sales	\$ 3,259	\$ 3,258	\$ 5,899	\$ 5,897
Cost of goods sold	2,163	2,164	4,002	4,003
Gross profit	1,096	1,094	1,897	1,894
Selling, general and administrative expenses	707	708	1,265	1,267
Research and development costs	178	177	371	369
Restructuring costs and other	44	41	76	76
Earnings from continuing operations, before interest, other charges, net and income taxes	167	168	185	182
Interest expense	34	34	71	71
Other charges, net	9	9	30	30
Earnings from continuing operations before income taxes	124	125	84	81
Provision (benefit) for income taxes	18	11	(10)	(15)
Earnings from continuing operations	\$ 106	\$ 114	\$ 94	\$ 96
Earnings from discontinued operations, net of income taxes	\$ 6	\$ 4	\$ 30	\$ 27
NET EARNINGS	\$ 112	\$ 118	\$ 124	\$ 123
Basic and diluted net earnings per share:				
Continuing operations	\$.37	\$.40	\$.33	\$.34
Discontinued operations	.02	.01	.10	.09
Total	\$.39	\$.41	\$.43	\$.43

The following table reflects the impact of the aforementioned adjustments on selected components of the Company's Consolidated Statement of Earnings for the three months ended June 30, 2003:

	As Previously Reported	Pensions and Other Postretirement Benefits	Other	Tax	As Restated
Earnings (loss) from continuing operations before income taxes	\$ 124	\$ 2	\$ (1)	\$	\$ 125
Provision (benefit) for income taxes	18	1	(1)	(7)	11
Earnings from continuing operations	106	1		7	114
Earnings (loss) from discontinued operations before income taxes	9		(2)		7
Provision for income taxes	3				3

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Earnings (loss) from discontinued operations	<u>6</u>	<u>(2)</u>	<u>4</u>		
Net earnings (loss)	<u>\$ 112</u>	<u>\$ 1</u>	<u>\$ (2)</u>	<u>\$ 7</u>	<u>\$ 118</u>

The following table reflects the impact of the aforementioned adjustments on selected components of the Company's Consolidated Statement of Earnings for the six months ended June 30, 2003:

	<u>As Previously Reported</u>	<u>Pensions and Other Postretirement Benefits</u>	<u>Other</u>	<u>Adjustments Relating to Prior Periods</u>	<u>Tax</u>	<u>As Restated</u>
Earnings (loss) from continuing operations before income taxes	\$ 84	\$ 3	\$ (5)	\$ (1)	\$	\$ 81
Provision (benefit) for income taxes	(10)	1	(1)		(5)	(15)
Earnings (loss) from continuing operations	94	2	(4)	(1)	5	96
Earnings (loss) from discontinued operations before income taxes	23		(3)			20
Benefit for income taxes	(7)					(7)
Earnings (loss) from discontinued operations	30		(3)			27
Net earnings (loss)	\$ 124	\$ 2	\$ (7)	\$ (1)	\$ 5	\$ 123

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2004, the FASB issued FASB Staff Position (FSP) No. 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* (the *Act*). The Act, which was signed into law on December 8, 2003, authorizes Medicare to provide prescription drug benefits to retirees. Under the Act, the federal government will begin to make subsidy payments to employers that sponsor postretirement benefit plans under which retirees receive prescription drug benefits that are actuarially equivalent to the prescription drug benefits provided by Medicare. Accordingly, the FSP provides guidance on accounting for the effects of the subsidy. As of and for the year ended December 31, 2003 and the quarter ended March 31, 2004, the Company had deferred the recognition of the effects of the Act in accordance with FSP No. 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, (that was issued in January 2004), which permitted employers to either (1) recognize the effects of the Act as of the enactment date or (2) defer recognition until the earlier of the FASB's issuance of final rules on how to account for the subsidy or any remeasurement of plan obligations after January 31, 2004 due to a plan amendment, curtailment, or other significant event. FSP 106-2 supersedes FSP 106-1. The provisions of FSP 106-2 are effective for the first interim or annual period beginning after June 15, 2004 (third quarter of 2004 for Kodak); however early adoption is encouraged. Accordingly, the Company adopted the provisions of