

EASTMAN KODAK CO  
Form 10-Q  
November 09, 2005

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**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 September 30, 2005**

or

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

**For the transition period from to**

**Commission File Number 1-87**

**EASTMAN KODAK COMPANY**

(Exact name of registrant as specified in its charter)

**NEW JERSEY**  
(State of incorporation)

**16-0417150**  
(IRS Employer Identification No.)

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

**14650**  
(Zip Code)

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

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

Yes  No

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

Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

Class	Number of Shares Outstanding at October 31, 2005
Common Stock, \$2.50 par value	287,200,663

## Part I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Eastman Kodak Company  
CONSOLIDATED STATEMENT OF OPERATIONS

(in millions, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Net sales	\$ 3,553	\$ 3,374	\$ 10,071	\$ 9,758
Cost of goods sold	2,620	2,296	7,369	6,772
Gross profit	933	1,078	2,702	2,986
Selling, general and administrative expenses	673	629	1,911	1,793
Research and development costs	217	219	692	629
Restructuring costs and other	163	227	531	415
(Loss) earnings from continuing operations before interest, other (charges) income, net and income taxes	(120)	3	(432)	149
Interest expense	57	43	144	130
Other (charges) income, net	(9)	24	(11)	30
(Loss) earnings from continuing operations before income taxes	(186)	(16)	(587)	49
Provision (benefit) for income taxes	853	(28)	734	(90)
(Loss) earnings from continuing operations	(1,039)	12	(1,321)	139
Earnings from discontinued operations, net of income taxes	1	446	2	476
<b>NET (LOSS) EARNINGS</b>	<b>\$ (1,038)</b>	<b>\$ 458</b>	<b>\$ (1,319)</b>	<b>\$ 615</b>
Basic net (loss) earnings per share:				
Continuing operations	\$ (3.62)	\$ .04	\$ (4.59)	\$ .49
Discontinued operations	.01	1.56	.01	1.66
<b>Total</b>	<b>\$ (3.61)</b>	<b>\$ 1.60</b>	<b>\$ (4.58)</b>	<b>\$ 2.15</b>
Diluted net (loss) earnings per share:				
Continuing operations	\$ (3.62)	\$ .04	\$ (4.59)	\$ .49
Discontinued operations	.01	1.56	.01	1.56
<b>Total</b>	<b>\$ (3.61)</b>	<b>\$ 1.60</b>	<b>\$ (4.58)</b>	<b>\$ 2.05</b>
Number of common shares used in basic net (loss) earnings per share	287.2	286.6	288.1	286.6
Effect of dilutive securities:				
Employee stock options		0.1		0.1
Contingent convertible notes				18.5
	287.2	286.7	288.1	305.2

Number of common shares used in diluted net (loss) earnings  
per share

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**Eastman Kodak Company**  
**CONSOLIDATED STATEMENT OF OPERATIONS (Continued)**  
(in millions)

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
<b>CONSOLIDATED STATEMENT OF RETAINED EARNINGS</b>				
Retained earnings at beginning of period, as restated as of June 30, 2005	\$ 7,555	\$ 7,599	\$ 7,922	\$ 7,515
Net (loss) earnings	(1,038)	458	(1,319)	615
Cash dividend declared			(72)	(72)
Loss from issuance of treasury stock	(1)		(15)	(1)
Retained earnings at end of period	\$ 6,516	\$ 8,057	\$ 6,516	\$ 8,057

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

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

	<u>Sept. 30, 2005</u>	<u>Dec. 31, 2004</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 610	\$ 1,255
Receivables, net	2,867	2,544
Inventories, net	1,657	1,158
Deferred income taxes	122	556
Other current assets	139	105
Assets of discontinued operations	30	30
	<u>5,425</u>	<u>5,648</u>
Total current assets	5,425	5,648
Property, plant and equipment, net	4,137	4,512
Goodwill	2,125	1,446
Other long-term assets	2,691	3,131
	<u>14,378</u>	<u>14,737</u>
<b>TOTAL ASSETS</b>	<b>\$ 14,378</b>	<b>\$ 14,737</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other current liabilities	\$ 3,932	\$ 3,896
Short-term borrowings	1,004	469
Accrued income taxes	560	625
	<u>5,496</u>	<u>4,990</u>
Total current liabilities	5,496	4,990
<b>OTHER LIABILITIES</b>		
Long-term debt, net of current portion	2,559	1,852
Pension and other postretirement liabilities	3,228	3,338
Other long-term liabilities	763	737
	<u>12,046</u>	<u>10,917</u>
Total liabilities	12,046	10,917
<b>SHAREHOLDERS' EQUITY</b>		
Common stock at par	978	978
Additional paid in capital	871	859
Retained earnings	6,516	7,922
Accumulated other comprehensive loss	(213)	(90)
Unearned restricted stock	(6)	(5)
	<u>8,146</u>	<u>9,664</u>
Less: Treasury stock at cost	5,814	5,844
	<u>2,332</u>	<u>3,820</u>
Total shareholders' equity	2,332	3,820
	<u>\$ 14,378</u>	<u>\$ 14,737</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 14,378</b>	<b>\$ 14,737</b>

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

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

**Nine Months Ended**  
**September 30**

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**2005**