



Kodak Highlights

May 1972

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On the Cover

Kodak president Gerald B. Zornow is shown speaking to share owners who participated in the annual meeting on April 25 in Flemington, New Jersey. This issue of **HIGHLIGHTS** carries a full report of the events of the meeting, as well as the complete remarks of Mr. Zornow, regarding the company's business outlook.

"Pocket Photography"

Early customer response to Kodak's new pocket Instamatic cameras and projectors is enthusiastic. Please turn to page 23 for details of the new miniature cameras.



Kodak Highlights

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FIRST QUARTER SUMMARY	1972	1971	Change
SALES	\$669.5 million	\$592.7 million	+ 13%
EARNINGS FROM OPERATIONS	157.9 million	124.4 million	+ 27%
NET EARNINGS	89.0 million	67.9 million	+ 31%
PER SHARE	\$.55	\$.42	

Higher Sales and Earnings Reported by Eastman Kodak Company

New highs in first-quarter sales and earnings for Eastman Kodak Company were reported by Gerald B. Zornow, president.

Consolidated sales worldwide for the quarter (12 weeks ended March 19) were \$669,475,000, a 13 percent increase over the \$592,668,000 reported a year ago.

Kodak's worldwide net earnings were \$88,995,000, or 31 percent more than the \$67,912,000 earned in the sluggish 1971 first quarter. The earnings were equal to 55 cents per common share against 42 cents for the first quarter a year ago, based on the average number of shares outstanding in each quarter.

Earnings from operations worldwide were \$157,864,000, up 27 percent from the \$124,421,000 figure of a year ago. Pre-tax earnings were \$166,995,000, compared with \$133,412,000 for the 1971 first quarter. The provision for income taxes was \$78 million while a year ago it was \$65.5 million.

Commenting on the first quarter, Zornow said, "Reflecting the continuing advance in the economy, sales of Kodak products made impressive gains in almost all product lines during the first quarter.

"Sales of the U.S. and Canadian Photographic Division climbed 13 percent to \$383,952,000. Solid advances were made across the board, with particularly good gains in color papers, amateur and professional films, photographic chemicals, still and motion picture projectors, and professional, photofinishing, and audiovisual equipment and sundries.

"Sales of Kodak's standard line of Instamatic still cameras continued strong. Movie camera sales, paced by Kodak's two available light models, were exceptional.

"Sales of the Eastman Chemicals Division

rose 9 percent to \$151,867,000. Exceptionally strong gains in industrial chemicals and plastics more than offset a decline in dollar sales of man-made fibers, where prices averaged lower than in the comparable quarter a year ago.

"Improvement in the economic climate overseas and continued popularity of Kodak products with foreign customers advanced sales by units of the International Photographic Division to \$212,654,000, up 21 percent from the first quarter of 1971.

"The favorable effect of increased worldwide sales led to a new high for first quarter net earnings. Earnings continued to benefit from the revaluation of European currencies late in 1971, as adjustments related to these and more recent revaluations added about \$6 million to first quarter net earnings. The quarter was also benefited by the U.S. investment tax credit and the recent legislation designed to stimulate U.S. exports.

"Buoyed by an upturn in the consumer confidence index, strong indications of broadening economic recovery, and a very enthusiastic response to Kodak's new pocket cameras available to consumers early in the second quarter, we expect Kodak business to make strong gains in 1972."

Cash Dividends

Cash dividends of 26 cents per share, totaling \$41,928,000, were declared during the first quarter. A dividend of 25 cents was declared in the first quarter last year. At the end of the quarter, there were approximately 223,500 share owners.

Sales in the first quarter to the United States Government and defense contractors declined 7 percent, and amounted to 5 percent of total sales.

CONSOLIDATED STATEMENT OF EARNINGS

Eastman Kodak Company and Subsidiary Companies

	For the Quarter (12 Weeks) Ended	
	March 19, 1972	March 21, 1971
	<i>(in thousands)</i>	
Sales		
Sales to: Customers in the United States	\$ 415,833	\$ 377,654
Customers outside the United States	253,642	215,014
TOTAL SALES	669,475	592,668
 Costs		
Cost of goods sold	372,130	347,039
Sales, advertising, distribution, and administrative expenses	139,481	121,208
Total costs and expenses	511,611	468,247
 Earnings		
EARNINGS FROM OPERATIONS	157,864	124,421
Interest income	8,123	7,339
Other income	4,941	4,412
Less: Other charges	3,933	2,760
EARNINGS BEFORE INCOME TAXES	166,995	133,412
Provision for United States, foreign, and other income taxes	78,000	65,500
NET EARNINGS	\$ 88,995	\$ 67,912
Average number of shares of common stock outstanding	161,254	161,239
Net earnings per share	\$.55	\$.42

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained Earnings		
Retained earnings at beginning of year	\$1,763,601	\$1,560,364
Net earnings	88,995	67,912
TOTAL	1,852,596	1,628,276
Cash dividends declared at \$.26 per share (\$.25 in 1971)	41,928	40,312
RETAINED EARNINGS AT END OF QUARTER	\$1,810,668	\$1,587,964

Financial statements for the quarter have been prepared by the company in accordance with its usual accounting policies, are based in part on approximations, and have not been audited by independent accountants. The year-end statements will be audited by Price Waterhouse & Co.

J. Leslie Harper, *General Comptroller*

Share Owners Gather At 1972 Annual Meeting

The 71st Annual Meeting of Kodak share owners was held in Flemington, New Jersey, on Tuesday, April 25. Gerald B. Zornow, President, presided in the absence of Dr. Louis K. Eilers, Chairman of the Board. (see below)

More than 83 percent or 134,584,065 of your company's 161,262,551 shares outstanding and entitled to be voted were present or represented by proxy at the 1972 meeting. To those Kodak share owners who—in person or by proxy—made this fine representation possible, the Board of Directors and management express sincere thanks.

At the meeting, share owners elected the following directors to serve for the ensuing year:

Theodore C. Achilles
Norman F. Beach
Harmar Brereton
Louis K. Eilers
Walter A. Fallon
Harry D. McNeeley
John M. Meyer, Jr.
Robert W. Miller
Donald S. Perkins
Wylie S. Robson
William S. Vaughn
Herman H. Waggershauser
W. Allen Wallis
Frederic S. Welsh
John David Wright
Gerald B. Zornow

The independent certified public accounting firm of Price Waterhouse and Co. was re-elected by share owners as auditors for the year 1972. The vote in favor was 134,-361,354 and 159,133 against.

Dr. Eilers is recovering rapidly from open heart surgery performed on April 10. The company has been advised by Dr. Eilers' doctors that he is up and around and should be able to resume a normal schedule within a matter of weeks.



The remarks that follow were delivered by Kodak president Gerald B. Zornow at the annual meeting of share owners on April 25:

The phrase that best describes the past year is the mathematical expression, "Q.E.D. . . . that which was to be demonstrated." For, 1971 proved many points and answered a number of contemporary questions about your company. These questions could be summed up in the observation of one leading business magazine that "it may take years to alter the tone and temper of so large and venerable an institution."

In this report, I would like to single out three interlocking points that emerged from Kodak's performance in this pivotal year. First, consistent investment in research and development, together with a tighter focus on the objectives of this work, is yielding highly desirable results. With more than a hundred introductions during 1971, the company matched its recent average of one new or improved product every three working days.

What's even more important, a higher proportion of the introductions represented products that are significantly new.

The outstanding example is the XL line of movie cameras brought out together with 160-speed Ektachrome film for home movies

with existing light. The unprecedented demand in the first few months on the market suggests that this just might have been what people have been waiting for to awaken widespread interest in 8mm movies.

The immediate acceptance of existing light home movies carries over to the second related point. The close attention we have given to what potential customers really want has pointed the company very much in the direction of the trends of the times.

A noteworthy instance of this is showing up in the microfilm area. Historically, the major customer benefit of microfilm has been storage capacity. The space required to file documents for any purpose could be reduced as much as 97 percent simply by transferring them to microfilm. Lately, with the explosive growth in information systems, the emphasis has switched to "live" uses of microfilm data.

In line with this trend, Kodak came to market during 1971 with a number of products to match today's high-speed data-handling needs. A new microfilmer that uses cartridge-loaded film records information at the rate of 10 check-size documents . . . or their equivalent . . . in just one second. A matching processor enables the customer to process his own film conveniently. New Miracode II systems, appropriately enough,



offer twice the search-and-retrieval speeds previously available. And just last month, the company announced a desktop microfilm reader which combines quality image, compactness and low cost.

In Tune with Business Conditions

The third point derives from the first two. The year 1971 demonstrated that the company as a mechanism is tuned up for the kind of response required by today's business conditions. Kodak isn't relying on momentum.

Among those questions that I referred to earlier, a favorite is: "Can Kodak keep it up?" Implicit in it seems to be the notion that this company operates like the deacon's wonderful one-horse shay, that "was built in such a logical way." If you remember the poem, the contrivance admitted of no improvements. It was a masterpiece of depreciation planning. When it stopped rolling, it just fell apart all at once.

Well, from this platform last year I reported to you that in a stagnant economy, Eastman Kodak Company had indeed stopped rolling ahead temporarily. But, largely as a result of factors I have cited under the heading of the first two points, we were able to accelerate enough in 1971 to make a good showing on every indicator.

Let's review some of the key operating results for the entire year. Later we'll go into some of the reasons why they got that way. Worldwide sales rose seven percent to almost \$3 billion. It was the biggest percentage gain since 1968. International Photographic Division was the balance wheel with steady increases that came to 12 percent . . . the same as its average increase for the ten-year period 1961 to '71. U.S. and Canadian Photographic Division got off to a slow start. But the division made up the lost ground rapidly and came on strong, particularly in the holiday season, to finish six percent higher for the year.

Eastman Chemicals Division also reflected the sluggishness of the economy in the first quarter. Weaknesses in fiber prices continued through the year, but a strong second half for chemicals, plastics, and vitamin concentrates pulled the division's overall sales up by four percent.

In a year during which management par-





ticularly stressed the importance of increased productivity, it was encouraging to note that sales per employee rose more sharply than in any of the previous ten years. Net earnings after taxes rose four percent . . . the same rate as earnings from operations. Dividends declared during 1971 totaled \$216 million. This amounted to \$1.34 per share, as compared with \$1.32 in 1970. It was the 23rd straight year in which the cash dividend has increased.

What does this late-year acceleration in the context of national economic recovery suggest for the year ahead? Considerable progress, we believe. Just because the company is not totally reliant on momentum built up in the past does not mean we do not take advantage of momentum when we have it.

The powerful impetus built up in the closing months of 1971 has carried over into 1972 and helped to produce an outstanding first quarter.

Let's take a look at the results, which were announced just yesterday. In the best first quarter in Kodak's long history, worldwide sales increased 13 percent to \$669 million, with all major divisions and virtually all product lines contributing to the advance. This sales stimulus together with efficient usage of facilities had a good effect on earnings. For the quarter, net income totaled \$89 million, an increase of 31 percent from the depressed levels of a year ago.

U.S. and Canadian Sales Advance

Sales by the U.S. and Canadian Photographic Division rose 13 percent. Exceptional gains were made in color films . . . in all varieties of amateur equipment . . . in photofinishing supplies . . . in graphic arts materials . . . and in products for commercial and professional applications.

Sales by units of the Eastman Chemicals Division increased 9 percent, reflecting continued demand for plastics, industrial chemicals, and vitamin concentrates. Shipments of man-made fibers were somewhat higher, but there was a dollar decline due to price weakness. Sales by the International Photographic Division rose 21 percent. Here, too, the business advanced across a broad front . . . geographically and in widespread call for Kodak products and services.

A year ago from this same stand, I cautioned you not to read too much into first quarter results. I feel I should repeat that word of caution today, only from the other

viewpoint. (And I must say, the view is much nicer from here.)

As you will remember, our business in the early part of 1971 was less than satisfactory, with first quarter sales holding close to level and earnings off nearly 20 percent. We recovered momentum as the year went on, which means . . . of course . . . that comparisons will be more difficult as we move through 1972.

A Year of Progress

Nevertheless, we believe this year will be one of exceptional progress for the company . . . in real terms and . . . considering the potential impact of certain special factors. Among these is the tax credit we are receiving from substantial investments in new and better facilities for U.S. operations. It could amount to \$8-\$9 million for the year.

Recent enactment of legislation designed to stimulate U.S. exports is another such factor. Kodak's prompt action under the provisions of this new law will produce a substantial tax benefit . . . in the neighborhood of \$10-\$13 million . . . for the year. Our performance to-date this year also reflects adjustments related to the revaluation of foreign currencies late in 1971.

During the first quarter, the effect on net earnings of exchange gains and losses . . . and adjustments for the translation of foreign currencies into U.S. dollars . . . amounted to a favorable \$6 million. We expect a further benefit from these revaluations through the second quarter and possibly into the third.

With all this going for us . . . with economic recovery clearly in progress . . . with the impact of important new products still to be felt . . . with the expectation of excellent gains in sales and operating income, it is difficult not to be optimistic about 1972.

The overriding fact is that your company is well-positioned for a surge in growth as a result of those three points I mentioned earlier. They were, you will recall, a more tightly focused research and development effort; a better understanding of the wants and needs of potential customers; and more responsiveness in the mechanism for adjusting to business conditions throughout the world. Keeping those three points in mind, let's examine the position of Eastman Kodak Company today as expressed in the various businesses that it pursues.

For Eastman Chemicals Division, the 1971 sales increase was less than half its average

rate of growth for the previous ten years. In its business outlook are several indications of something more like normal growth this year and in the years ahead. For instance . . . fibers, which tended to hold back 1971 results, show better prospects for 1972.

Kodel polyester fibers for carpets experienced a dip in sales last year due to market conditions. But the name "Kodel" still has outstanding acceptance in that market. And this year with 2.2 million housing starts forecast in the United States, it looks a lot more like a growth market than it has in some time.

Verel fibers, used in draperies and pile fabrics, should benefit from some of the same stimuli. Kodel polyester staple fibers have found a continuing demand within the textile industry. New products, such as a low-shrink fiber, help to secure that place.

Demand for Double Knits Increases

And Kodel polyester filament yarn is right in the middle of one of the biggest stories in years in the fashion industry: the swing to double knits. The use of double-knit fabrics increased 65 percent over just one year, and new forms of double knits are still coming on the market. To keep pace with this soaring demand, a new plant for the

production of continuous-filament polyester yarn, which went on line at Carolina Eastman during 1971, has already doubled in capacity.

Turning to chemicals . . . sales of coatings chemicals for applications in many modern structural materials and methods rebounded vigorously during the year for some of the reasons noted above. The upswing has carried over into 1972.

And for other reasons also previously cited, sales of raw materials for polyester resins and polymers for polyester fibers have been showing healthy gains. In fact, industrial chemicals of all kinds have been registering encouraging growth across the board.

Vitamin concentrates and food additives . . . especially Vitamin E . . . have provided a steady upward push to the overall sales picture of Eastman Chemicals Division. For plastics, too, a general increase in demand is occurring as new properties are developed, and new uses are found for them. In pacesetting markets like the automotive industry, new applications for Tenite plastics in various forms are appearing almost daily.

Another especially promising development within the Tenite family is a thermoplastic material that can be sprayed onto metal surfaces by an electrostatic process. It offers an alternative to paint with advan-



tages in texture, toughness and weathering characteristics.

Demand for products of the Eastman Chemicals Division is rising steadily in international markets particularly among the industrialized nations. As in the United States applications of various formulations of Tenite plastics for automotive applications are showing notable gains, as are Eastman dyes for textile industries.

And that leads us quite naturally into a look at the prospects of the International Photographic Division, which will be on the brink of being a billion-dollar business all by itself by the end of this year.

Overseas Business Reflects Domestic

It's axiomatic that what happens in international markets recapitulates what has happened in the domestic markets . . . with appropriate time allowances and adjustment for local cultures. If that axiom holds up in 1972, it looks like a bright period ahead overseas. Still to come in areas covered by

IPD are what have proved to be two of the most successful product introductions of recent years . . . the XL movie cameras . . . and the new pocket Instamatic family of products.

One could assemble a lengthy chain of evidence testifying to the validity of the axiom. Here are some sample links: In Germany and France, probably the countries most associated with the birth of 35mm photography, easy-loading cameras that take 126-size film now account for a majority of still camera sales. In Japan, where those who have been doing the purchasing have also leaned toward complex cameras, several hundred thousand Instamatic cameras have been imported just since its success at Expo '70 in Osaka. It might be the start of some changes.

In Argentina, production of Instamatic cameras was not begun until 1969. But they already represent well over half of the million cameras that have been turned out there.

In Great Britain, the rate of growth in health services of all types on a percentage basis has surpassed that of the United States. Along with this increase in the amount of services to be dispensed, has come a rising demand for time-saving advances such as rapid-processing x-ray equipment.



A local slant there is the successful introduction by Kodak Ltd. of "chairside" dental x-ray processors to accommodate a type of treatment that is largely diagnostic . . . as opposed to preventive in the United States.

In Asia, motion pictures . . . both in theaters and on television . . . have become the prime form of mass communication. India, for all its concern with traditional customs, now supports 7,000 movie houses.

Color photography which is now accepted as the norm for school and business portraits in the United States, has begun to follow the same pattern of acceptance in Europe.

Computer output microfilmers of various makes are being installed in Europe at a rate equal to that of the United States when they first came on the market here four years ago.

And finally, the graphic arts industries in Europe are embarking on a conversion to photographic methods similar to what has taken place here. It's been estimated, for instance, that by 1975 the number of phototypesetting machines will grow almost 2½ times over.

But in addition to these individual trends within countries and industries, large political and social forces are at work in the global marketplace. We should take note of them, too. The growth in the Gross National Prod-

uct of the Free World nations outside the U.S. is projected at more than five percent annually for the next five years. That's at least equal to what can be expected in real terms for the U.S. economy over the same period.

Trade restrictions with hitherto inaccessible areas, such as Eastern Europe and Indonesia, have been eased somewhat over the past years. In the light of the President's visit to China, who knows what may come next?



As another generalization, it can be said that tariff barriers are coming down. Japan, which now represents about one-third of the company's sales volume in all of Asia, Africa and the Middle East, has granted some long-awaited concessions. Discussions about more offer hope of further progress.

The prospective entry of England, Ireland, Denmark and Norway will enlarge the European Economic Community into a common market with 300 million people, conducting about one-half of all the world's trade. In the context of today's discussion, it's worth reminding ourselves that when this trading block becomes a reality, Kodak will have three manufacturing companies and 12 marketing houses well-established within it.

The Latin-American Free Trade Association which includes almost as many people, is nowhere near as far along in economic development, of course, and the tariff picture is quite varied, to say the least.

But with production at the new film plant in Mexico already approaching planned operating levels, the company is now in an excellent position to benefit from favorable developments in the tariff structures for photographic goods. Complementation agreements stabilizing lower tariff rates for cameras, film, and paper among LAFTA trading partners were signed at the start of

the year and will take effect shortly.

The importance of being in place within LAFTA is suggested by one example: black-and-white film from the Mexican plant enters Brazil with a duty of only eight percent as against a 31 percent levy from the outside.

All these factors on the international scene should act together to promote improvement on a level of performance that was already much more than acceptable. In line with national objectives, Kodak has consistently shown a favorable balance of trade.

That is, income from exports, dividends and other sources abroad has exceeded outflow for imports, investments, and dividends to share owners in other countries by a total of \$2.1 billion for the last ten years.

It might be mentioned in passing that this sort of performance helps to answer some of the questions that are being raised about the impact of multinational corporations on the American economy.

The record shows that during the 60's multinational corporations based in the United States increased their exports by 180 percent in comparison to an overall increase of about 50 percent. During the same period, these multinational corporations expanded their domestic employment by nearly a third . . . a gain 2½ times that of the



national average. Clearly, multinational corporations like Kodak are above-average contributors to a favorable trade balance and the creation of jobs here at home.

And now, let's turn homeward to the U.S. and Canadian Photographic Division. Its six percent increase for 1971 was not up to its nine percent average since 1961. But, as you see, most of the growth that contributed to the average was registered up through 1967.

Most of the six percent increase actually came in the last half of the year and has continued into 1972. So, we can find many reasons for thinking that this division of the company is decidedly on the move again in all its classes of trade.

The downturn in Government business appears to have moderated. Sales to the U.S. Government and its contractors are now running at 5 percent of total volume as opposed to a high of 11½ percent in 1968. The bulk of our government business is now in standard Kodak products, and the demand for these has not slackened.

I've already mentioned how the company is keeping up with the requirements for live information with a market-basket of products that cover the range of microfilm technology. The new personal-use reader is noteworthy because of what it could mean

in micropublishing . . . a field that has been described as poised for a take-off the last several years. All that has been holding it back, apparently, has been the lack of an inexpensive means of read-out.

As you entered today, you saw a here-and-now demonstration of Kodak's interest in another potential take-off market . . . cable television. The objectives of the Videofilm Express promoting the use of film on this medium have been helped along considerably by recent FCC rulings encouraging local originations.

Videoplayer Feasibility Model

In a related field, demonstration last fall of a feasible videoplayer utilizing super-8 film cartridges has made news far beyond the session of the Society of Motion Picture and Television Engineers where it happened. And still in the same general area, a wide-scale increase in the use of audiovisual equipment and materials for educational and training purposes is helping to compensate for the moderate decline in sales of professional motion-picture films.

The graphics arts industries continue in the upswing of the changeover to photographic methods. The major focus of attention now is on mechanization, Kodak is ready with four new films that can be ma-



chine-processed with results comparable to manual processing.

The introduction of two new low-cost super-8 security cameras with compatible films has been welcomed by banks, retail stores, and other facilities in need of improved surveillance.

Perhaps the most potent growth tonic these days is being applied right where the roots of Eastman Kodak Company are to be found . . . in the amateur picture-taking business. George Eastman has been quoted to the effect that the camera would someday be as ubiquitous as the fountain pen. I don't know about fountain pens. But I do know that in the last decade the annual unit sales of cameras have caught up with and passed two of the most familiar consumer products . . . television sets and automobiles.

But when it comes to usage the camera has a lot to grow before attaining the regularity of the other two.

Television is watched more than 40 hours per family per week. Autos are driven 185 miles per car per week. Cameras of all kinds register about 2½ clicks per week.

The limiting factor to more picture-taking, it seems, is that in the public mind cameras are associated with specific occasions, locations, and seasons. To tell the truth, we in the industry have helped to promote this association. But now we have arrived at a point in time when this limitation is being challenged from three directions. And, one way or another, your company is involved in all three: as a frontrunner in available light home movies; as innovator of the new "pocketable" cameras; and as a supplier of materials for instant photography, with the probability of Kodak end-use products in the future.

As I have said, the announcement of available light, color home movies has met with enthusiasm never before shown in the home movie field. Kodak dealers this year reported the first "Movie Christmas" ever in terms of sales of equipment and film.

Photofinishers put their confidence on the line by buying out the first year's production of autoprocessors for the new 160-speed Ektachrome film. And it's very instructive to note that about 80 percent of the rolls of



the new film being processed have been shot indoors without supplementary lighting. Most of these movies would not have been taken otherwise.

The introduction of the pocket Instamatic camera last month was without doubt Kodak's most far-reaching product launching since the original Instamatic camera itself. It went far beyond a camera to an array of related products all brought to market at the same time: a new Kodacolor II film with finer grain and better definition; a new pocket Carousel projector and slide-packaging approach; and new processing equipment, accessories, and adaptor kits to help independent photofinishers get into the new format as fast as they elect.

But even more important than its potential in sales of the new products, this breakthrough opens the way to a whole new concept in picture-taking . . . the unplanned picture. Millions of pictures that used to be missed because the occasion or location did not call for a camera will now be taken. How many millions is impossible to say just yet.

Enthusiastic Trade Reaction

But the reaction within the trade would be hard to top. At last month's convention of the Master Photo Dealers and Finishers in Chicago, the lift felt by the entire industry

was evident. Dealers put in orders on the spot that all but erased substantial inventories of new pocket products. And we have since raised our very optimistic sales estimates by a sizable amount. Several other manufacturers have indicated their intent to supply products based on the new 110-size film.

Photofinishers have taken this as evidence of Kodak's long-range commitment to conventional photography. They testified to their renewed confidence in Chicago by ordering more finishing equipment in three days than was sold by Kodak through all of 1971.

So I can say, without exaggeration, that trade response to our new line has exceeded the warm welcome accorded the original Instamatic camera following its introduction in 1963. Which brings us to the third major thrust that is helping to establish picture-taking as a regular occurrence. The opposition of instant to conventional is fast disappearing from the photographic vocabulary.

As a matter of fact, there now is some question whether it was ever really that widespread in the first place. I never heard anybody say: "I'm going to take a *conventional* picture."

The history in the Sixties reveals that those years in which instant photography was



winning popular acceptance were the very same years in which conventional photography was enjoying its greatest surge of growth. During that decade, photofinishing alone became almost a billion dollar business. And retail sales of all cameras, projectors, film, and processing more than doubled, from \$1.1 to \$2.7 billion.

With the range of products available today, picture-taking is less than ever an "either-or" proposition. It's more of a spectrum. In some instances, the user will want his camera ready at all times to capture an event or a sequence of events . . . with a negative readily available for duplicate prints and enlargements. In other instances, on-the-spot viewing is the essence of the picture for fun, for visual note-taking, for testing. In between, there is room for trade-offs in speed, spontaneity, and control.

Serving the Entire Spectrum

As a result of development since we met a year ago, your company has broadened its capability for serving the whole spectrum. We told you then that our primary objective was development of a new Kodak approach to in-camera processing. We reported that we had selected a preferred approach. And we also said that before such a system became available it might be possible for

us to market a Kodak film for use in existing Polaroid cameras.

Today, I am pleased to state that we now definitely project the introduction of such a film, and from what we've seen, we anticipate good customer acceptance. The film is the result of independent Kodak research. The agreements negotiated with Polaroid in 1969 are not applicable to it in any way. We are also continuing to make solid progress toward an in-camera processing of our own . . . one based on new approaches to color forming.

As I have said before, we know where we are going and we know how to get there. But considerable work remains, and this will require a substantial investment . . . in time, in money, and in the skills of our people. I, among many, am optimistic about a successful outcome, and I can assure you that we, as a company, are determined to make it happen.

If I have had a successful outcome in making this report today, I have demonstrated to you what your company has been demonstrating to the business world at large: Kodak is determined to retain its standing as a leader in generating pertinent new ideas and turning them into useful realities; we are attuned to the varying wants and needs of many customers—of many





kinds—in many places; and we continue responsive to profitable opportunities whenever and wherever they occur.

In doing all this, I feel that Kodak is making still one more demonstration . . . a demonstration of its acceptance of the responsibilities of being a good corporate citizen.

Those responsibilities were never better expressed than in a statement made this year by a man who in the ordinary course of events would be at this microphone right now. On the subject of being relevant in today's world, Dr. Eilers said: "It is business . . . the private sector of our economic system . . . that produces the wealth which enables government . . . our public part . . . to plan and administer programs of social importance. To a large extent, government has no funds save those it extracts from the profits of business and the earnings of those who are employed in productive business enterprises.

"It is business which helps the disadvantaged to escape from the degradation of poverty . . . business which is developing what we need to clean up our environment . . . business, in large part, which is rebuilding the cores of our fading cities . . . business which is providing substantial amounts of the financial aid required by our colleges and universities."

Reprints Available

Dr. Eilers' remarks have aroused so much attention that we have had the full text reprinted for distribution in answer to the many requests received. With the thought that you as share owners are also interested, we have arranged to have copies[®] available here for handing out after the meeting.

If you will just take the time to read . . . or perhaps re-read . . . those words, I think you will agree with me that there is little more that needs to be said about what Eastman Kodak Company stands for when it comes to corporate responsibility.

Thank you very much.

[®] Dr. Eilers' remarks appeared in the February, 1972 issue of Kodak HIGHLIGHTS. If you would like additional copies, please address inquiries to Corporate Information Department, Eastman Kodak Company, 343 State Street, Rochester, New York 14650

General Discussion and Questions

Following his remarks, Mr. Zornow opened the meeting to questions, calling on members of the company's Operations Committee to assist in the discussion.

A share owner's inquiry about the impact of Japanese cameras upon sales of Kodak products was referred to Van B. Phillips, Vice-President and General Manager of Marketing for the U.S. and Canadian Photographic Division. Mr. Phillips said the Japanese have replaced Germany as the principal exporters of 35mm cameras to the U.S. He explained that they make excellent 35mm cameras but these have not been in direct competition with current Kodak cameras since Kodak does not manufacture nor market 35mm cameras at present.

In response to a question relating to the new pocket Instamatic cameras, Mr. Phillips stated that the new smaller size may be adapted into regular 2 x 2 slides for showing in existing projectors.

A Kodak share owner present at the meeting proposed that those in attendance go on record to wish Kodak Chairman Dr. Louis K. Eilers a speedy and healthful recovery. "We recognize his many years of help to share owners and loyalty to Kodak," he added. Harmar Brereton, Vice-President and General Counsel, seconded the motion which was then adopted unanimously.

A share owner asked to what degree sales of the new pocket cameras should be considered additive as opposed to replacement for existing Kodak cameras and films. Mr. Phillips pointed out that customers now have the choice of the existing 126 line of Instamatic cameras, as well as the new pocket cameras. He said that it was the feeling of company officials that the new cameras would contribute substantially to additive sales, but it was too early to determine the exact degree.

Defense Contracts Questioned

Three persons from Rochester holding proxies inquired about the company's participation in the manufacture of military materials for the U.S. government. Specifically, reference was made to the manufacture of proximity fuses at a Rochester plant owned by the U.S. Navy and operated by the company and to alleged "bombs" made at the company's subsidiary, Holston Defense Corporation, under contract with the U.S. Army. These inquiries were accompanied by requests that the company disclose the

specific nature and use of such products and their total value.

Mr. Zornow pointed out several errors in the statements from the floor including the fact that the company was not engaged in the manufacture of bombs at the Holston plant or elsewhere. He said the Holston plant manufactured an explosive material that was supplied to other manufacturers and that the company had no knowledge of its ultimate use. He pointed out that some of the information demanded was classified as vital to the defense of the U.S. but said that the company would provide such information as can properly be released, in response to any legitimate request by letter. Mr. Zornow also stated that the value of the company's military contracts was relatively insignificant in the context of the company's total business.

In dealing with this subject in his prepared remarks and in further reference to the statements from the floor, Mr. Zornow said among other things,

"Like other corporate contractors, we function within the framework of laws, policies, and regulations as shaped by the nation's duly-elected representatives.

"As long as our government needs our products to enable it to provide for our national security throughout the world, we must respond and fill those needs.

"Our nation's industries cannot refuse to provide our young men with the support required to protect their own lives while they serve us and our nation."

A young share owner asked what the company was doing to encourage mass transportation for employees in order to avoid the continual need for additional parking facilities and the destruction of housing which this often entails.

Mr. Zornow pointed out that the company has no power to condemn any property and that the company negotiates in good faith and pays well for any property it acquires. He added that additional parking facilities are normally required in areas that are in need of redevelopment and the former owners have an opportunity to upgrade their housing by relocation.

Company-Owned Housing

Replying to the same question, Frederic S. Welsh, Vice-President and Director for Corporate Relations, stated that homes on company-owned land not needed for expansion in the immediate future are rented to families. "For instance, right now we're not really interested in being a landlord, but we have something over 100 homes that we own and which we are renting to people," he added. Mr. Welsh later cited the Kodak



sponsored World of Work program where young people go to school half a day and spend the other half rehabilitating homes within the city.

Toward the close of the meeting, Mr. Zornow extended an invitation to this young share owner to visit the company in Rochester and observe some of the socially-oriented projects that Kodak is currently engaged in.

Robert W. Miller, Vice-President and Director of Finance and Administration, replied to a question concerning the company's pricing performance during the last nine months. He said that although Kodak has negotiated a time limit pricing agreement with the Price Commission which permits the company to raise its prices 1.97 percent net on the average in 1972, overall prices of Eastman Kodak Company products have decreased by one-half of one percent during the first quarter of this year.

Another question related to the programs that Kodak operates in the Rochester area for the underprivileged and to help develop the community. Mr. Welsh cited a Kodak publication entitled, "When Business Gets Involved," which pinpoints areas of Kodak social involvement. As examples, Mr. Welsh mentioned Rochester Business Opportunities Corporation which in four years has

put more than 80 minority businesses in operation; and Rochester Jobs, Inc. which finds jobs for disadvantaged and minority group people.

A share owner asked when the new pocket cameras would be introduced outside the U.S. and when and to what extent those sales will favorably affect earnings in 1972. Wylie S. Robson, Vice-President and General Manager, International Photographic Division, said that Kodak will introduce the cameras in Europe at Photokina in late September. With respect to the impact on earnings in 1972, he added that it would be difficult to determine that since Kodak's overseas operations close their fiscal year on the first of November which would allow only one month of assessment.

High Resolution Film

A share owner directed a question to Dr. John A. Leermakers, Vice-President and Director of the Kodak Research Laboratories, (retired May 1, 1972—see back cover) with regard to a film sold under the name of VTE. Dr. Leermakers replied that Kodak had examined the film, and indicated that its uses would be limited to certain applications where very high resolution is required. He added that Kodak has found nothing sufficiently outstanding in the char-



acteristics of the film and processing to indicate that Kodak's technology is not capable of equaling it.

A question related to the present level of Kodak plant capacity and equipment for the production of films for in-camera processing. Mr. Walter A. Fallon, Vice-President and General Manager of the U.S. and Canadian Photographic Division, said that regarding films for non-Kodak cameras, the company had expended considerable capital and research on this project. Much of Kodak's present technology and equipment are applicable for the production of this product, he said. Where this is not so, new equipment is in various stages of development.

In reply to a question about a possible split in the stock of the company, Mr. Zornow said that up to the present time, no consideration had been given to such an action.

A share owner inquired if the new finer grain Kodacolor II film for use in the pocket

cameras would be made available in other sizes. Mr. Fallon explained that the new Kodacolor II film was in limited supply for the 110 program and that the company anticipates making the new film available in other sizes in the future.

Referring to Kodak's new available light movie cameras, a share owner asked what precautions should be taken while making movies from inside an automobile. Mr. Fallon replied that it was not a good practice to photograph objects through glass surfaces because of the chance of recording the reflections from the glass on the film.

Referring to Kodak's existing light movie cameras and film, a share owner inquired about the availability of a similar system for still photography. Mr. Fallon replied that both systems involved the same principles but would require a rebalancing of film speeds, exposure times, and lens apertures. He pointed out that the company was continuing work on these matters.



Pocket Photography Introduced by Kodak

In the words of one Kodak executive: "I've never seen anything like it, not even in 1963 when we introduced the original Instamatic cameras.

He was speaking, of course, of new Kodak pocket Instamatic cameras shown to the trade at the photographic industry's annual convention in Chicago (March 19-21).

Buoyed by strong customer response, the company has geared up to make record first-year shipments of the new pocket products: five "take-me-along" cameras only an inch thick; a trio of new projectors for slides in the new smaller film size; a complete range of accessories; and for the photofinisher, new and more efficient processing and printing equipment.

The cameras—they fit easily into a pocket or a purse—are designed for portability, ease of use, and the ability to yield large colorful snapshots.

Developed and manufactured by Kodak in Rochester, N.Y., the cameras are products of advances in optics, mechanics, and injection molding. In addition to "pocketability," their customer benefits include drop-in film loading, dependable magicube flash,

The portability of new Kodak pocket Instamatic cameras will promote "unplanned" pictures—those available only to the photographer who carries a camera along, to capture those momentary events worth remembering.

double exposure prevention, and excellent picture quality.

In addition, four of the five models feature an electric eye which through an electronic shutter, contributes to precise exposures and extends their usability to low lighting conditions.

The diminutiveness of the new cameras has been achieved while sustaining traditional Kodak picture quality. The prints they provide are 3½ x 4½ inches in size. Enlargements measuring 5 x 7 inches are also obtainable.

A new film, Kodacolor II, and an improved Verichrome pan film are being offered in the 110-size, along with Kodachrome-X and Ektachrome-X films. Color slides processed by Kodak are returned on detachable slide sticks packed in a protective wallet—another customer convenience.

The camera line ranges from a basic aim-and-shoot model 20 camera with a suggested list price of less than \$28 to a sophisticated model 60 camera for less than \$128. The top-of-the-line model features a rangefinder-focused f/2.7 Ektar lens and automatically controlled lens aperture and shutter speeds, from an action-stopping 1/250 second to a full 10 seconds.

The three new pocket projectors are styled in wood-grain accents, and retain all the popular features of standard size Kodak Carousel models, but in a small 8 x 8½ x 3¾ inch size.

Kodak pocket Carousel projectors are about the size of a standard telephone. Plastic mounted transparencies are gravity-fed from trays that hold 120 slides.





Wagershauser



Ogden



Leermakers



Hanson

Wagershauser, Leermakers Retire; Ogden, Hanson Move Up

The following management changes were announced at a regular meeting of the Kodak board of directors:

Herman H. Wagershauser, vice-president and general manager of the Kodak Apparatus Division and member of the company's Executive and Operations Committees, retired on March 1. He continues as a member of the board. During his career with Kodak which began in 1933, Wagershauser supervised the manufacture of millions of Instamatic cameras, providing picture-taking convenience to people throughout the world.

Kenneth C. Ogden, former assistant vice-president and assistant general manager of Kodak Apparatus Division, succeeds Wagershauser as KAD general manager and

Operations Committee member.

Dr. John A. Leermakers, vice-president, Operations Committee member and third director of the Kodak Research Laboratories in the company's 92-year history, retired on May 1. During his 38-year association with Kodak's scientific research, the Research Laboratories contributed to the development of many innovative photographic products including the super-8 film format, today the standard size film for amateur movie makers throughout the world.

Dr. Wesley T. Hanson, former associate director of the Research Laboratories, was elected a Kodak vice-president and appointed to succeed Dr. Leermakers on the Operations Committee and as director of the Kodak Research Laboratories.