



Kodak Highlights



Kodak Announces New Instant Products

If late April brought showers of publicity about new Kodak instant photographic products, May and months ensuing promise a rainbow of color for snapshooters.

The memorable moment happened April 20, 1976. On that day, the company made its announcement of new Kodak instant cameras and film in New York City and Toronto, Canada. A week later, in Flemington, N.J., shareowners attending the 1976 Annual Meeting got a first-hand look at the new products.

Kodak will begin shipping instant cameras and film to U.S. photo outlets on June 28. They are now being sold in Canada.

Kodak instant cameras and film produce prints with a high degree of color fidelity based on a fundamentally new imaging chemistry.

Development of Kodak instant prints, which are litter free, takes place outside the camera and is essentially complete in eight minutes.

An elegant Satinluxe™ finish protects the print, which measures 2-5/8 x 3-9/16 inches, from smudges and fingerprints.

The color quality of the instant prints is a result of fundamental breakthroughs in imaging chemistry. Kodak instant print film is exposed through the back. During development, imaging dyes are released for direct migration to the front or viewing surface (see page 27 for detailed description).

The new Kodak instant products are the result of the company's long experience in photographic science and technology, according to Walter A. Fallon, Kodak president.



"We are confident," he stated at the announcement in New York City, "that this new family of Kodak products will live up to our reputation for cameras and films that perform consistently well."

The effort to bring these products to the market was international in scope. For example, the chemistry upon which the Kodak instant print film is based was selected for final development from several approaches under study by Kodak in Rochester, N.Y., by Kodak Limited in England, and by Kodak-Pathé in France.

Several thousand Kodak scientists and technicians were committed to the development of these products over a period of several years.

The two camera models introduced are list priced at \$53.50 and \$69.50. Kodak instant print film has a list price of \$7.45 per pack of 10 picture units.



Both EK4 and EK6 model cameras accept flipflash units.

Actual size photographs





A convenient hand crank is used to eject the picture unit from the Kodak EK4 camera.

The lower priced model, the Kodak EK4 instant camera, features manual film advance. An easy-to-use hand crank transports the exposed film in seconds through high-precision rollers which spread the sealed processing chemicals and deliver the print for external development.

Self-developing color prints are ejected automatically with the aid of a motorized film advance in the other model, the Kodak EK6 instant camera.

The prints are ejected from the bottom of both cameras.

A third Kodak instant camera—the EK8, manufactured by Kodak A.G. (Germany)—is scheduled for introduction late this year. This top-of-the-line model will feature the convenience of folding design and a coupled rangefinder. The list price will be approximately \$140.

Both EK4 and EK6 cameras have 137 mm, $f/11$ three-element coated plastic lenses. Each has an electronic shutter with speeds from $1/300$ to $1/20$ second and two apertures, $f/16$ and $f/11$, controlled by a tiny integrated circuit.

The EK4 and EK6 model cameras use flipflash and offer an array of convenience

features which aid the user in achieving pleasing results. These include easy-to-use focusing aids and an electronic package to control all exposure functions.

Focusing Aids

Both Kodak cameras focus continuously from $3\frac{1}{2}$ feet to infinity and are aided by a focus scale, zone focus symbols and a "zooming circle" distance finder.

Exposure Control

Light is measured and the shutter controlled automatically by an exposure control electronic package containing an integrated circuit chip. This device measures how much light should fall on the film. A red low-light signal turns on to tell the user when to use flash. Both models protect against double exposure.

Print Delivery

Exposed prints are ejected from the bottom of both models (see photo). The Kodak EK6 has a high-speed motor drive which ejects the print as soon as the user lets up on the shutter release. With the EK4 camera, a manual crank is used to deliver the print easily and conveniently.

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On the Cover

Kodak instant cameras and instant print film were unveiled on April 20, 1976. Shown on the cover is the Kodak EK6 model camera and reproductions of actual instant prints. The prints and camera have been reproduced smaller than actual size.



Kodak Highlights is published quarterly for shareowners and others with an interest in the company.

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First Quarter Report to Shareowners

(in millions, except earnings per share)	First Quarter		
	1976	1975	Change
Sales	\$1,142.9	\$ 989.4	+16%
Earnings from Operations	197.4	164.3	+20
Net Earnings	118.1	95.9	+23
Per Share	\$.73	\$.59	

In Summary

Improvement in the general economic climate, sustained demand for photographic products worldwide, and a sharp upturn from the depressed markets of a year ago for fibers, plastics and industrial chemicals, all contributed to the good results of the first quarter.

Sales Advance

First quarter sales crossed the billion dollar mark for the first time, as all three operating divisions contributed to the gain.

Sales by Division (in millions)	First Quarter		
	1976	1975	Change
U.S. & Canadian Photographic	\$ 597.0	\$ 559.9	+ 7%
International Photographic	406.1	361.4	+12
Eastman Chemicals	293.3	212.4	+38
Deduct: Interdivisional sales	(153.5)	(144.3)	
Worldwide	\$1,142.9	\$ 989.4	+16%

Purchases by the U.S. Government and defense contractors amounted to \$40.7 million, and represented approximately 4 percent of total sales.

In the U.S. & Canadian Photographic Division, overall unit volume was slightly higher than in 1975 and most major markets divisions recorded gains in dollar sales. Consumer products advanced as acceptance of the new Tele-Instamatic and Trimlite cameras introduced in the third quarter of last year continued at high levels. Graphics and motion picture markets products moved well ahead of last year; x-ray products also advanced, while business systems lagged behind the first quarter of 1975.

International Photographic Division sales reflected increased unit volume overseas. While selling prices were also higher, adverse changes in foreign exchange rates restrained the gain in dollar sales. Most European and Latin American companies posted good to excellent gains, while sales in the other regions held about even with the first quarter of 1975.

Eastman Chemicals Division sales rebounded from the first quarter of 1975, when generally weak conditions characterized many of the markets which it serves. The sales advance over a year ago was due principally to increased unit volume of fibers, chemicals and plastics.

Earnings Also Advance

Good unit volume, particularly in the Eastman Chemicals Division, and the continued efforts of Kodak people worldwide to control costs helped counteract the effects of higher purchase prices of materials and services, and increased wage and benefits cost.

Research and development expenditures rose to \$78.6 million, compared with \$73.9 million in the first quarter of 1975, reflecting the high level of activity on new product and development programs.

Costs and Expenses (in millions)	First Quarter		
	1976	1975	Change
Cost of goods sold	\$721.5	\$619.1	+17%
Percent of Sales	63.1%	62.6%	
Sales, advertising, distribution and administrative expenses	\$224.0	\$206.0	+ 9%
Percent of Sales	19.6%	20.8%	

Sales, advertising, distribution and administrative expenses were carefully controlled, contributing to the improved rate of earnings from operations.

The decline in the value of many foreign currencies, which adversely affected earnings in the fourth quarter of 1975, had a continuing impact on earnings in the first quarter of this year. The unfavorable effect of exchange gains and losses and adjustments related to the translation of foreign currencies reduced earnings for the quarter by \$10 million, in contrast to the first quarter of 1975 when there was no significant effect on earnings.

Earnings from Operations	First Quarter		
	1976	1975	Change
Amount (in millions)	\$197.4	\$164.3	+20%
Percent of Sales	17.3%	16.6%	

Interest income and interest expense were both lower than in the first quarter of last year. Other income and charges reflected an increase in pre-tax earnings of \$2.8 million resulting from an improvement in the market value of equity securities during the quarter. Other income also included a gain of \$2.3 million from the sale of certain property. The provision for income taxes was \$95.0 million, compared with \$77.5 million in 1975.

Net Earnings	First Quarter		
	1976	1975	Change
Amount (in millions)	\$118.1	\$95.9	+23%
Percent of Sales	10.3%	9.7%	

Dividends to Shareowners

Cash dividends of 39 cents per share were declared in the quarter, the same rate as in 1975; total dividends declared amounted to \$62.9 million.

Capital Improvements

Capital expenditures for additions and improvements to plant and facilities totaled \$114.8 million during the quarter.

Capital Expenditures by Division (in millions)	First Quarter	
	1976	1975
U.S. & Canadian Photographic	\$ 53.9	\$ 59.4
International Photographic	15.7	23.8
Eastman Chemicals	45.2	47.9
	<u>\$114.8</u>	<u>\$131.1</u>

The provision for depreciation was \$57.0 million, 16 percent more than the \$49.0 million recorded in the first quarter of 1975.

Financial Position

Working capital increased during the quarter to \$1,552.4 million compared with \$1,506.3 million at the end of the first quarter of 1975. Cash and marketable securities totaled \$659.8 million, an increase of \$24.9 million over a year ago. Worldwide inventories held about even with last year's first quarter, at \$1,027.4 million. Receivables of \$732.4 million rose only 4 percent from the relatively high first quarter of 1975.

Outlook

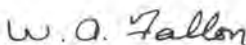
We are encouraged by these early results. It is important to note, however, that comparisons for the balance of the year will be drawn against a background of improving business conditions during 1975. Also, the recent strengthening of the U.S. dollar in foreign exchange markets is expected to have a further adverse effect on earnings. Nonetheless, we are confident that 1976 will be a good year for Kodak.

Recent Development

On April 26, 1976, Polaroid Corporation filed suit in the U.S. District Court in Boston alleging that Kodak's instant cameras and print film infringe Polaroid patents, and seeking an injunction and treble damages. We believe our instant cameras and print film are based on distinctive technology developed by Kodak and do not depend on the patents of others. We are prepared to defend that position.



Chairman



President

Consolidated Statement of Earnings

Eastman Kodak Company and Subsidiary Companies

	For the Quarter (12 Weeks) Ended	
	Mar. 21, 1976	Mar. 23, 1975
(in thousands, except earnings per share)		
Sales		
Sales to: Customers in the United States	\$ 635,268	\$ 539,763
Customers outside the United States	507,588	449,674
TOTAL SALES	1,142,856	989,437
Costs		
Cost of goods sold	721,517	619,121
Sales, advertising, distribution, and administrative expenses	223,953	206,028
Total costs and expenses	945,470	825,149
Earnings		
EARNINGS FROM OPERATIONS	197,386	164,288
Interest income	10,786	11,943
Interest expense	2,806	3,188
Other income and (charges)	7,701	308
EARNINGS BEFORE INCOME TAXES	213,067	173,351
Provision for United States, foreign, and other income taxes	95,000	77,500
NET EARNINGS	\$ 118,067	\$ 95,851
Average number of shares of common stock outstanding	161,344	161,345
Net earnings per share	\$.73	\$.59

Consolidated Statement of Retained Earnings

Retained Earnings		
Retained earnings at beginning of year	\$3,036,957	\$2,755,635
Net earnings	118,067	95,851
TOTAL	3,155,024	2,851,486
Cash dividends declared at \$.39 per share in 1976 and 1975	62,924	62,925
RETAINED EARNINGS at end of quarter	\$3,092,100	\$2,788,561

Supplemental information:

1. Research and development costs included in cost of goods sold	\$ 78,595	\$ 73,932
2. Operations of subsidiary companies outside the U.S. included in Consolidated Statement of Earnings:		
Sales	\$ 464,866	\$ 413,565
Earnings from operations	40,786	47,463
Net earnings	21,904	24,474

Consolidated Balance Sheet

Eastman Kodak Company and Subsidiary Companies

Assets	Mar. 21, 1976	Dec. 28, 1975 (amounts in thousands)	Mar. 23, 1975
Current Assets			
Cash	\$ 52,567	\$ 75,563	\$ 53,818
Marketable securities	607,248	671,546	581,073
Receivables	732,410	804,639	704,352
Inventories	1,027,377	986,457	1,013,409
Prepaid charges applicable to future operations	81,215	81,856	87,370
Total current assets	<u>2,500,817</u>	<u>2,620,061</u>	<u>2,440,022</u>
Properties			
Land, buildings, machinery, and equipment at cost	4,454,445	4,347,881	3,955,236
Less: Accumulated depreciation	2,022,144	1,969,458	1,823,724
Net properties	<u>2,432,301</u>	<u>2,378,423</u>	<u>2,131,512</u>
Other Assets			
Unamortized excess cost of investments in consolidated subsidiaries over net assets acquired	13,257	13,661	14,999
Long-term receivables and other noncurrent assets	43,936	44,093	51,356
TOTAL ASSETS	<u>\$4,990,311</u>	<u>\$5,056,238</u>	<u>\$4,637,889</u>
Liabilities and Shareowners' Equity			
Current Liabilities			
Payables	\$ 653,247	\$ 687,764	\$ 622,540
Taxes—income and other	232,263	245,744	248,213
Dividends payable	62,924	143,598	62,925
Total current liabilities	<u>948,434</u>	<u>1,077,106</u>	<u>933,678</u>
Other Liabilities and Deferred Credits			
4½% convertible debentures—due 1988	66,076	66,076	66,076
Other long-term liabilities	81,039	75,131	67,715
Deferred income taxes	129,898	128,846	109,742
Total liabilities and deferred credits	<u>1,225,447</u>	<u>1,347,159</u>	<u>1,177,211</u>
Shareowners' Equity			
Common stock			
Par value—paid in or transferred from retained earnings*	403,966	403,966	403,966
Additional capital paid in or transferred from retained earnings	268,798	268,156	268,151
Retained earnings	3,092,100	3,036,957	2,788,561
Total shareowners' equity	<u>3,764,864</u>	<u>3,709,079</u>	<u>3,460,678</u>
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	<u>\$4,990,311</u>	<u>\$5,056,238</u>	<u>\$4,637,889</u>

*\$2.50 par value, 360,000,000 shares authorized; Issued: 161,586,286 shares; 688,292 authorized but unissued shares of common stock are reserved for the conversion of the debentures issued by Eastman Kodak International Capital Company, Inc. 40,850 shares have been issued as a result of conversions to date.

Consolidated Statement of Changes in Financial Position

Eastman Kodak Company and Subsidiary Companies

	For the Quarter (12 Weeks) Ended	
	Mar. 21, 1976	Mar. 23, 1975
	(amounts in thousands)	
Funds Provided by:		
Net earnings	\$ 118,067	\$ 95,851
Charges to earnings not requiring cash outlay:		
Depreciation	57,025	49,009
Plant and equipment retired, less accumulated depreciation	3,893	1,734
Provision for deferred income taxes, net	11,700	2,550
Amortization of excess cost of investments in subsidiaries over net assets acquired	404	404
Total from earnings	191,089	149,548
Decrease in receivables	72,229	52,336
TOTAL FUNDS PROVIDED	<u>263,318</u>	<u>201,884</u>
Funds Used for:		
Dividends to shareowners	62,924	62,925
Additions to properties	114,796	131,105
Decrease in current liabilities	128,672	99,940
Increase in inventories	40,920	75,587
Decrease in other items, net	3,300	11,248
TOTAL FUNDS USED	<u>350,612</u>	<u>380,805</u>
Decrease in cash and marketable securities	87,294	178,921
Cash and marketable securities, beginning of year	747,109	813,812
Cash and marketable securities, end of quarter	<u>\$659,815</u>	<u>\$634,891</u>

Supplemental information:

	Mar. 21, 1976
	(in thousands)
Analysis of Inventories	\$ 278,353
Raw materials	324,692
Work in process	424,332
Finished goods	<u>\$1,027,377</u>
Total, per Balance Sheet	

Financial statements for the quarter have been prepared by the company in accordance with the accounting policies stated in the 1975 Annual Report and should be read in conjunction with the Notes to Financial Statements appearing in that report. The statements 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.

On April 26, 1976, Polaroid Corporation filed suit in the U.S. District Court in Boston alleging that the company's instant cameras and print film infringe Polaroid patents, and seeking an injunction and treble damages. The company is prepared to defend its position that Kodak instant cameras and print film are based on its own distinctive technology and do not depend on the patents of others.

Robert B. Murray, General Comptroller
April 28, 1976



1976 Annual Meeting

The 75th Annual Meeting of Kodak shareowners was held in Flemington, New Jersey, on Tuesday, April 27. Gerald B. Zornow, board chairman, presided.

More than 78 percent—126,277,264 of 161,343,827—of your company's shares outstanding entitled to be voted were present or represented by proxy at the meeting. Your management and board of directors are grateful to the shareowners represented in person and by proxy who made this representation possible.

The independent certified public accounting firm of Price Waterhouse & Company was reelected as auditors for the year 1976. The vote was 125,848,146 in favor, and 324,030 against.

A proposal to have the company's annual report to the Securities and Exchange Commission, Form 10-K, mailed to each shareowner was defeated. The resolution received 120,235,589 votes (98.1%) against. A second proposal to change the site of the annual meeting received 118,494,014 votes (97.03%) against.

The following directors were elected at the meeting to serve for the ensuing year:

Roger E. Anderson
Colby H. Chandler
Kendall M. Cole
Louis K. Eilers
Walter A. Fallon
Robert S. Hatfield
Juanita M. Kreps
Harry D. McNeeley
John M. Meyer
Donald S. Perkins
Wylie S. Robson
Robert A. Sherman
W. Allen Wallis
Frederic S. Welsh
Gerald B. Zornow





A review of Kodak business results and comments concerning the company's outlook—on the near and far term—are contained in the following remarks by Walter A. Fallon, president and chief executive officer, to shareowners at the 75th annual meeting.

It is always a pleasure to make this report to Kodak shareowners, and I probably don't have to tell you I am especially delighted for the honor this year. When it comes to glad tidings, there's only one thing better than receiving them, and that is delivering them.

As most of you will know from the news, this is a time of glad tidings for Kodak. Yesterday, with the announcement of first quarter results, came the good news of higher sales and earnings. So we are off to a good start in 1976.

The ordinary course of these remarks might bring me from there to a review of numbers which can be read in the Annual Report. But this is no ordinary year. So I am going to follow my instincts, and leave more time for the announcement in the spotlight now . . . instant cameras and film by Kodak.

If you are as excited by the prospect of these new products as I am, you probably wondered why they weren't on display as you arrived here this morning. The people who plan these events must have believed that if you had the choice of looking at the new cameras or coming into the auditorium to hear me speak, you'd still be at the exhibit. I'm sure they were right.

But let me assure you that the cameras and the films are waiting for your personal inspection following the meeting. That way, you will have more room and ample time to use them

and get to know them. After the financial review, I will draw your attention to some newcomers in other product lines. Together with the instant products, these will contribute to the good performance we see for Kodak this year.

During the first quarter of 1976, worldwide sales increased 16 percent to \$1,142,856,000.

Net earnings for the quarter advanced 23 percent to \$118 million or 73¢ a share.

I would remind you that our results during the 1975 first quarter were depressed by economic conditions prevailing at that time. As a consequence, favorable comparison with that period was not especially difficult. As we move through 1976, the converse will apply.

Also, we should note that the cost of introducing Kodak instant products is not inconsequential. This is especially true of 1976, a year in which our start-up and promotional costs will be laid against half a year of actual selling.

Kodak instant products will not appear in advertising or at dealers' counters until summer has already begun. It will be mid-1977 before consumers have a full twelve months to show their approval of these products at the cash register. Nonetheless, we are confident that 1976 will be a good year for Kodak. Last year, I made the point that current commitments to research and development will naturally be reflected in the company's future financial performance. In 1975, we invested some \$313 million in the search for new and improved technology. In some cases, that result is a long way off. In the case of instant photo products, it is here now.

Production Capacity On-Stream. In that context, research is the indispensable first step to the marketplace. But equally indispensable are new and renewed facilities for the manufacture of products made possible by research. Capital additions in 1975 amounted to \$570 million, with \$613 million budgeted for similar work in 1976. Thanks to similar commitments in the past, we now have important production capacity coming on-stream at a time when the economy seems capable of sustaining its recovery. To most observers, the renewed economic vitality of recent months is not seen as a temporary development. It is indicative of a longer-term advance.



Picture-taking will be in the vanguard of this advance, as it often has been during previous periods of economic recovery. Kodak pocket cameras and Kodak instant cameras should be very much in evidence at the 1976 Olympics in Canada, and at Bicentennial celebrations everywhere in the United States. Election activities in the U.S. will also promote increased newsfilm exposure—as we all will be aware before the year is out. We are hopeful, as well, that sustained economic recovery will stimulate growth in industrial activity with favorable effects on demand for Kodak products serving customers in the graphic arts, in health care, and in a host of applied fields.

An added factor in our confidence is our determination to minimize higher costs by improving productivity. In 1975, this determination produced an operating plan that helped to make an uncertain economic period less disruptive than it could have been for the company and for Kodak men and women.

In summary then, we are encouraged about Kodak's future. With the combination of prudent management and the results of progress in technology, we see good growth ahead.

For the moment, though, I am going to call our thoughts back to the present and to some

good news in more familiar product lines. Many of you were introduced to Kodak's Ektaprint copier-duplicator when the model 100 was demonstrated on this platform last year. Last month, we announced extensions of the line that we feel will revise the standard of productivity for office copiers. Today, productivity is commonly expressed in terms of "copies-per-hour." But this measure does not include the costly time used up in the manual operations of collating, straightening, and stapling.

Kodak's new Ektaprint products make it possible to measure productivity—for the first time—in terms of "completely finished-sets-per hour." For example, if you have a 20-page document, it takes only one hour to get more than 200 completely finished sets. If you have a five-page document, in one hour you'll have more than 800 completely finished sets.

The featured players are five new configurations of EKTAPRINT copier-duplicators. The model 100 has demonstrated quality, performance, and engineering excellence. The new EKTAPRINT 150 copier-duplicator takes all this and adds reduction capability—77 percent and 64 percent. These reductions will enable users to reproduce documents as large as 11 x 17-inch on standard 8½ x 11-inch letter-size

paper. As you might expect, the machine's rated speed matches the model 100—4200 copies per hour.

Now let's look at two more EKTAPRINT copier-duplicators: the model 100 F and the model 150 F. These two copier-duplicators are distinguished by their feeding capability. They continuously recycle the original pages. For example, page 8 of an 8-page document is cycled to the platen and copied once. As page 8 is recirculated to the top of the pile, page 7 is moved to the platen and copied once. And so on. The feeder recirculates the originals at the basic machine speed of 4200 copies per hour. The direct output is now organized sets in the original order, right there in the delivery bin. The collating function "just happens." No separate equipment. No separate effort.

Now, let's move up one more order of magnitude and look at the two other Kodak EKTAPRINT copier-duplicators: the model 100 AF and the model 150 AF. These machines send the properly sequenced copies into a very interesting phase—finishing. Copies are gathered by sets. Jogged into perfect alignment. Staple each set—if you wish. Once on the corner . . . or twice on the side . . .

The sets are then moved into stacks—straight up or offset—again, as you choose, and placed in a carry-away tray. All this action, all these variations, result from easy, convenient choices available to the user on the control panel. As a result, users can extend their duplicating capabilities even further, without going outside the office. And they can do it in the floor space an ordinary copier might otherwise occupy.

Our marketing people report that the concept of completely finished sets is capturing the imagination of customers. Orders for new Ektaprint copiers with feeders and finishers have been very encouraging. This is particularly impressive when you consider that many customers who placed orders have done so without seeing or using our new products.

Another reminder is in order, however. Ektaprint products are for the most part leased, not sold outright. Their impact on earnings will naturally be felt over the longer haul rather than in initial sales.

Moving from business products to good news for the amateur picture-taker, we come first to a product family you are well acquainted

with—the Instamatic "X" cameras. The recently announced Instamatic X-15f and X-35f cameras are direct descendants of the original Instamatic concept—now matched with the convenient flipflash. By updating the 126 format cameras, we are squarely in accord with the philosophy that characterizes all Kodak's amateur photographic business. That is, to provide the picture-taker with a wide freedom of choice in making the kind of pictures he or she wants, when wanted.

In the development of Kodak's new instant products, this philosophy was put to work in dramatic fashion. The result is a more complete line of amateur photo products to help meet customer demand in a wide variety of picture-taking situations.

Let me illustrate the importance of this with something we know about people who take instant pictures. The majority of them also take conventional pictures. During the course of a "typical" year, there are twice as many people using both a standard and an instant camera as there are using an instant camera only. It seems many people want the freedom to choose the type of camera appropriate to the occasion at hand.

With so many people interested in so many different kinds of pictures, you can be sure our research and development dollars are aimed at extending the frontiers of both conventional and instant photography. As we have said before, today's conventional" cameras and films are anything but conventional. Perhaps the best testimony to that fact exists in the great popularity of the pocket Instamatic camera.

25 Million "Pockets." The innovations built into the pocket camera changed the frontiers of picture-taking for millions of people. By late summer of 1975, the number of pocket cameras shipped by Kodak alone had passed the 25 million mark. They are simply the most popular cameras ever made. Highlighting their popularity is the first pocket camera with a built-in telephoto lens, the Tele-Instamatic 608 camera. When it was first introduced, we thought it would gain many friends among people who could not make telephoto pictures easily for the first time.

As it turned out, the little camera won more new friends than any other Kodak model last year.

We recently announced an even more versatile companion model, the Tele-Instamatic 708 camera. The new camera has electronic exposure control, faster lenses, and a distinctive dual magnification viewfinder. When the lens setting is on "normal," the viewfinder shows the normal picture area. When it is on "tele," the viewfinder magnifies only the area that will appear in the telephoto print. The model 708 is another good example of the way Kodak continues to expand the popularity of so-called "conventional" products. We foresee continuing "unconventional" advances in performance and value such as these.

I promise, however, not to digress toward the future again. Without further delay, I think we should raise the curtain and see what the current excitement is all about.

(At this point, the sound film presentation, "Here It Is!" was shown.)

I think the film you have just seen has the right idea. In a real sense, the pictures themselves are the stars of the show.

Last year at this meeting you had an indication, though once-removed on slides, of the superb color to be expected from Kodak instant prints. No one could be more delighted than I am that you can see this color first-hand today. You will see it develop on the spot, in a picture you can take yourself with a Kodak instant camera. And I can confidently predict that you will be pleased by the results.

Perhaps more than any other products in Kodak's history, these lend themselves beautifully to demonstration. As much as possible, then, we are determined that people who like to take pictures should have a chance to see our "instant" evidence, just as you will.

We know from our surveys what customers will be looking for. They expect good color, good value, and ease of use. Let's examine these expectations in light of the way each of them has been met.

Kodak scientists had a goal which went beyond "good" color, to superb color. It was in the interests of superb color that they evolved a fundamentally new imaging chemistry for Kodak instant print film. It's worth remembering that the development of standard reversal films, such as Kodachrome film or Ektachrome film, ordinarily takes place in a processing laboratory or a home darkroom. There, the processor can influence the color the finished



picture finally assumes. But amateur picture-takers have no similar control over an exposed instant print as it develops. The whole idea is that instant prints should develop themselves.

Color Precise. The answer came from Kodak research laboratories in three parts—a unique chemistry, new dyes and a high-speed reversal emulsion with an exposure index of 150. The result is the color precision which makes Kodak instant prints a worthy choice for amateur photographers.

Before the first instant print develops, the picture-taker will discover how well Kodak instant cameras meet the ease of use criterion. There are the familiar conveniences of cartridge loading, automatic exposure for daylight and flash, and the added feature of the zooming circle to make focusing easier. Equally convenient is the compact design. Kodak people who have used these cameras, in tens of thousands of tests, found that the design encourages a comfortable and balanced grip for taking pictures.

We couldn't be more pleased, because we think an instant picture should also be one you can take at a moment's notice. With a Kodak instant camera, users can aim quickly and with confidence. The pictures inspire confident handling too. The Satinluxe textured finish reduces the distractions of fingerprints and dust. People can pass their pictures casually from viewer to viewer without concern. By the way, the absence of a negative doesn't prevent you from passing out duplicates. Reprints and enlargement services will be available from Kodak and

also from independent photofinishers.

As to good value, I can say that the EK4 and EK6 cameras deliver a benefit-to-dollar ratio as attractive as any cameras we have ever made. The reasons can be found in the exacting design of the products themselves and in the engineering which makes them manufacturable in the volume and at a price required to satisfy customer needs. As a consequence, our customers will be able to take these products home at prices they can afford. Less than \$70 for the EK6 instant camera. Less than \$54 for the EK4 camera.

We naturally had considerable experience in the manufacturing of films and cameras to draw on, but instant products have taken us forward in areas where our manufacturing experience had to be dramatically extended.

(At this point, the sound film, "The Facilities Commitment," was shown.)

(The facilities commitment represents . . .) quite an accomplishment, as I think you will agree. There will be no time for resting on laurels, however. I can already tell you that we will see the curtain rise on yet another member of the Kodak instant family within the coming year. This will be the Kodak EK8 instant camera, a folding model designed and built at the Kodak camera works in West Germany. It will be especially attractive to customers who want the extra features that only a "top-of-the-line" product can provide.

For the present, though, the reviews belong to the cameras and film as announced in New York and Toronto last week. The compliments we have received have been most gratifying.

As I suggested earlier, there has been extensive market research to determine if picture-takers will react with the same enthusiastic compliments. We know there are some 48 million picture-taking households, representing the full diversity of life in the United States. Our research shows that about half of these households can be said to have a general interest in taking instant pictures.

We think it is significant that the appeal of instant products is therefore not limited to any one demographic group. It reaches across the breadth of the marketplace. The important question is, what would it take to translate this general appeal into a specific interest in Kodak Instant products?

The answer picture-takers gave was the one

we considered here a few moments ago. They will be looking for good color, good value, and ease of use. In other words, they will be looking for the benefits Kodak instant products are built to provide.

Ad Campaigns. In Canada, the story of these benefits will be told in television and newspaper advertising beginning May 10. In the United States, many will first hear the story—and see it—when the initial television announcements appear during coverage of the 18th International Olympic Games. Of the millions likely to be interested in our new products, nine out of ten tuned in for the televised Olympic Games four years ago. So from past experience, we know they will be there in front of the screen. While they are there, this is one of the ways we hope to get their attention.

(At this point, a television commercial advertising the new instant products was shown.)

Kodak people are not generally inclined to congratulate themselves. Yet on this occasion, I think they have a lot to be proud of. The dedication of the thousands of Kodak men and women involved should be a source of satisfaction for all of us. There has been an exciting achievement. In true perspective the development of Kodak instant products now takes its place in the record of Kodak achievements.

It was not the first.

It will not be the last.

Thank you.



The following is an account of various discussions between shareowners and management during the course of the business meeting.

In discussion before the closing of nominations for directors, a shareowner inquired as to compensation of directors, number of meetings held, and percentage of attendance. Mr. Zornow replied that the board meets regularly five times a year and Mr. L. S. Zartman, Company Secretary, noted that attendance is virtually 100 percent at these meetings.

Mr. Zornow said that only board members who are not Kodak officers receive compensation as directors. It amounts to \$10,000 annually plus \$500 per meeting attended.

The discussion of director nominations closed with a shareowner comment on the number of directorships held by two persons standing for election. Another shareowner asked what efforts are being made to include a black person on the board.

Mr. Zornow reassured the shareowners that the qualifications and interests of candidates for the Kodak board of directors are carefully reviewed. Furthermore, no area of society is excluded as a source for candidates.

A shareowner question was directed to the auditors: What efforts have been made to determine whether the company has made improper payments domestically or overseas to politicians, customers, or suppliers?

Mr. Zornow stated that high ethical standards have always characterized Kodak operations and the performance of Kodak people. He noted that because the issue of corporate ethics has received much public attention recently, the company conducted a thorough review of transactions and practices of all Kodak units worldwide. The review was carried out by both internal and external auditing staffs. No situations of consequence were found.

A representative of the auditors, Price, Waterhouse & Co., added that it found no evidence of illegal payments by Kodak in conjunction with their 1975 examination.

The nomination of directors and auditors was followed by the presentation of two shareowner proposals.



Middle East Trade. Mr. Zornow then reviewed the background of a proposal sponsored last January by the American Jewish Congress, which called for a statement of policy concerning trade with countries of the Middle East, including Israel, and made the following statement:

"Kodak's products have been distributed in all countries of the Middle East, including Israel, for many years. Our sales to Israel in 1975 amounted to about \$4.1 million. Sales to the Arab states totaled about \$11.4 million last year. The company's sales to Israel and the Arab countries in 1975 were 0.3 percent of consolidated worldwide sales and net earnings from such sales were 0.5 percent of consolidated worldwide net earnings.

"The company has received no demand or request for 'complicance with the boycott against the State of Israel or any Israel corporation' nor has it received any communication demanding discrimination against any American corporation because of its Jewish directors, stockholders, officers, or employees. We would, of course, resist any such demand or request.

"It is the policy of the company to make Kodak products and services available to all countries of the world where their sale is permitted by law and where such sales meet the needs of the customers. As a matter of policy and of principle, the company has not participated and will not participate in boycotts. We have sold our products to Arab nations and to Israel, and in no case have we altered our policies toward either in order to obtain sales.

"In this matter, as in others, it is the policy of the company to comply with the laws of the U.S. Government and with the regulations which flow from such laws. Kodak complies with the provision of the Export Administration Act. We have made appropriate reports of our shipments to the countries of the Middle East and we shall continue to do so.

"As a matter of employment policy and of practice, considerations of race, religion, color, sex, age, handicap or national origin have no influence on decisions to recruit, hire, train, transfer, or promote. The company's employment policies have not been altered in any way in consequence of trading with the countries of the Middle East. Such policies will continue to



be non-discriminatory.

"As a matter of policy, Kodak opposes measures that serve to inhibit the free flow of goods and services throughout the world. With reference to 'import, export, shipping and sales procedures,' the company complies with U.S. trade regulations and with the regulation of countries to which Kodak products are being shipped.

"Kodak has been in the international marketplace for some 90 years and now conducts its business in approximately 130 countries around the globe. The company is proud of its tradition of doing business in a fair, legal and ethical manner wherever Kodak products and services are made available to customers."



The following is a summary of the discussion period after Mr. Fallon's remarks.

A shareowner asked about Kodak's possible infringement of Polaroid product patents. Kendall M. Cole, general counsel, reaffirmed the company's belief that its instant products are based upon Kodak's own technology and that the company would not knowingly infringe upon someone else's patents. He said the company was prepared to defend its position. (Polaroid has subsequently brought an action alleging patent infringement by Kodak, and the matter is now in litigation.)



Questioned by a shareowner on Kodak's efforts in non-amateur photographic markets, Van B. Phillips, vice president and general manager of the Marketing Division, said that rates of long-term growth between non-amateur and amateur products are comparable. He noted that the company continues to expand in such areas as radiography, graphic arts, and business systems, through the development of new and innovative products.

Mr. Fallon responded to a query on instant product availability. He said the EK4 and EK6 instant cameras and Kodak film will be available June 28 in the United States and the EK8 camera, to be manufactured in Germany, will be marketed later this fall.



Dividends. In response to a shareowner comment on a possible Kodak stock split or dividend, Mr. Zornow noted that this item is considered regularly but that speculation on this subject is not proper.

Mr. Zornow also commented on the size of



Kodak's dividends relative to the market price of its stock. He said the company's growth has been consistent over the years and that some investors judge the value of their investment on this type of performance. He added that the amount of retained earnings invested in the company for new product lines and facilities has been substantial. This benefits the shareowner by providing the foundation for future business growth.

Another shareowner question referred to automation at Kodak. Mr. Zornow responded that the company continually seeks new ways of improving its manufacturing technology and capability. Such developments have helped offset some of the effects of inflation in recent years.

A shareowner question about the valuation of company-held securities and their effect on earnings was answered by Robert A. Sherman, vice president and director of Finance and Administration. He noted that accounting rules

require marketable equity securities held by corporations to be carried at the lesser of cost or market value. This comparison is made at the end of each quarter. An increase or decrease in market value will affect earnings.

A photo dealer and shareowner asked why prices for films in sizes 110, 126, and 135 were essentially the same, even though there is a different quantity of sensitized film in each size. Mr. Sherman said the pricing of products is an amalgam of numerous complex factors, including manufacturing costs. Dr. Harold Smith, vice president and general manager of Kodak Park Division, noted that the amount of sensitized film is but one part of the cost of a roll. Other factors include manufacturing techniques, labor costs, capital investment, distribution costs, advertising and selling expenses.

The questioner also commented negatively on the quality of Kodak photofinishing. Mr. Zornow replied that the company is proud of its quality and that it has maintained a standard and a price that is fair while providing a reasonable return on investment. Another shareowner-photo dealer said he had no complaints regarding Kodak processing but asked that Kodak extend to a full year a marketing program allowing picture-takers to get price reductions on second prints. Mr. Phillips commented that Kodak has many different types of merchandising programs intended to create enthusiasm for photography throughout the year. To make any one program available for a full year would be costly, he commented.

A securities analyst asked for elaboration on the timing and introduction of amateur "available-light" photo products. Mr. Fallon responded that the subject was mentioned in his remarks to point out there are still opportunities in the "conventional" photography area. Such development would be evolutionary, he remarked, and will take some time.

A shareowner asked if Kodak has assessed the impact of electron radiography on x-ray film sales. Is the company intending to enter this field? Dr. Wesley T. Hanson, vice president and director of the Kodak Research Laboratories, said that the company has studied this technology carefully. Mr. Phillips noted that at present the two technologies complement each other in the marketplace. Electron radiographs currently have a market limited to



specialized techniques, and there has been no impact of any consequence to date.

Instant Introduction. A pension fund manager asked why Kodak instant photography products were made available first in Canada. Mr. Fallon responded that it seemed logical to do so as part of an orderly introduction of the product. Needs of the smaller Canadian market can be met while production scales up to serve the U.S. market, he remarked.

A securities analyst noted a decline in the percent return in shareholders' equity and wanted to know what management is doing to reverse this trend, and how—assuming continuing inflation—does it see its chances of recovering to past rates of return. Mr. Sherman replied that several factors will contribute to the company's ability to continue to perform well financially. He noted an improvement in general business conditions, and a slackening of the rate of inflation. He said that the copier-duplicator and instant photography products recently introduced should in time be strong contributors to sales and earnings. He added that management will adhere to the basic principles on which Kodak is built: the emphasis on high technology products which give the user a comparative advantage and bring the company an appropriate return. Mr. Sherman





also pointed to continuing efforts to improve productivity as another important factor in maintaining Kodak's financial strength.

Mr. Zornow added that in recent years Kodak has invested its retained earnings in the development of two product programs of major scope and now that they are completed, the company and the shareowners can look forward to a return on this investment.

A shareowner questioned the distribution of Kodak instant products to the press for evaluation, and wondered why these products are not made available to shareowners at wholesale. Mr. Fallon replied that cameras and film were made available to the press for purposes of product evaluation, allowing comments on the product to be based on experience. He said that this was important to the introduction, and the shareowners' interests. He noted that it would be difficult to administer any kind of preferential introduction of products to shareowners.

A shareowner recommended that the company pay any stock dividends by issuing treasury shares rather than additional stock.

Another shareowner asked if Kodak is studying the development of computerized scanner equipment for tomography. Dr. Hanson responded that the company is very actively involved in research of various recording media for this device, but not involved in the development of equipment for tomography. To a question about black-and-white film for Kodak instant cameras, Mr. Zornow responded that the company has no plans to make and market a black-and-white film for use in its new instant cameras.

Mr. Zartman was asked if a recording of the

meeting was being made for purposes of preparing a transcript. He replied that a recording is made to assist in preparation of the May issue of Kodak Highlights, in which the company reports to shareowners on the annual meeting. No formal transcript is made.

Another shareowner suggested that transcripts should be made and be available to shareowners, possibly at their expense.

In response to a question about production problems in the development of Kodak instant products, Mr. Fallon replied there had been none.

A shareowner suggested that Kodak in promoting its new instant program should not neglect conventional photography. Mr. Zornow referred to Mr. Fallon's remarks in which he stressed the importance of both types of photography in Kodak's future.

A shareowner asked if Kodak makes x-ray camera equipment. Mr. Zornow said that the company does not produce such equipment in the x-ray field, but it does supply film, processors, and other accessory items to this market.

A shareowner who is also a photo dealer asked if he could get sales promotional literature for the new Kodak instant products. Mr. Phillips said that teams of Kodak representatives will be traveling to dealers throughout the U.S. and Canada before the year-end. More than 20,000 photo sales representatives will receive special training.

A shareowner-employee of Kodak asked why the EK8 camera is being manufactured in Germany rather than domestically. Mr. Douglass Harvey, vice president and general manager of the Kodak Apparatus Division, responded. He noted that the Kodak instant program is worldwide in scope and that the German camera design and manufacturing capability lend themselves to the efficient production of the EK8 model.

The shareowner also wondered if Kodak is producing semi-conductor devices. Mr. Harvey said that Kodak has a laboratory for production of semiconductors. They are used in many items of Kodak photographic equipment from film printers to pocket cameras. The laboratory was built in order to develop and advance the company's technological expertise in this area.

Kodak Instant Products: The Story Behind the Results

The story behind Kodak instant cameras and film is a fascinating one. And we could give it three major chapters:

- Kodak scientists searched for and discovered a fundamentally new imaging chemistry.
- Kodak engineers came up with a way of making miles of film under the most exacting conditions.
- Kodak designers made a camera that is easy to use, yet allows the film to be exposed and developed to its greatest potential.

The author of the story, management, orchestrated the development of all three chapters. Dramatically, they were written at the same time.

Chapter I Without a commercially acceptable imaging chemistry, it would have been impossible to produce a commercially viable product. The search was carried out in Kodak laboratories in Rochester, France and England.

From the start, it was clear that the conventional or linear approach to product development would take more time than was acceptable. Experience indicated that development work on the chemistry, film and camera would take several years. Several more would be needed to build manufacturing facilities.

One of many quality control checks during film manufacture at Kodak Park Division includes this curl test of a processed picture unit.



The Kodak decision: all programs would proceed simultaneously.

Chemists, designers, engineers and technicians constantly worked together—informing, debating, solving mutual problems. In the meantime, buildings were going up to manufacture cameras and film that had not yet been designed.

Researchers narrowed the choice to three chemistries. The final choice: a reversal chemistry rather than the negative-positive kind usually associated with color prints. Its great strength—dyes that yield superb color rendition.

Design engineers began working out the basic format the cameras would take, literally carving the shapes out of blocks of wood. Prototype studies showed that people needed a compact design that would eject the picture unit easily and conveniently. As the various elements were perfected and added to the prototype, it became apparent that Kodak instant products could become a commercial reality.

Chapter II As the buildings were going up, new machines had to be designed to make the new film at Kodak Park Division.

One facility was built to house continuous motion assembly machines which piece to-

Careful inspection of the distance finder for the Kodak EK4 and EK6 cameras is made during assembly at Kodak Apparatus Division.



gether the picture unit from several different components. These machines take a base material, the cover sheeting, small pods of activator fluid, felt-like traps to collect unused activator, form them into picture units, and assemble 10 picture units in a pack.

Thousands of packs must then be checked, boxed, wrapped and distributed each day. Each picture unit is monitored and coded so that months, even years from manufacturing date, Kodak engineers will be able to tell when it was made and on which machine.

For quality control, Kodak tests and analyzes both the assembly process and the finished package at every critical stage. More than 70 control devices monitor various stages of the film pack assembly process. Assembly is followed by off-line testing and analysis to see that individual prints and their packs conform to tight specifications.

Kodak checks finished film in cameras, tests imaging chemistry with sophisticated spectrometric and densitometric analysis. A computer checks more than 2,000 alignment points for each piece of Kodak instant film.

Chapter III The same precision dedicated to the manufacture of film is a part of camera manufacturing at Kodak Apparatus Division.

Tighter and tighter specifications became necessary to exert the exact control over the exposure and print ejecting process. Many of the most critical tools used in assembling Kodak instant cameras were made in-house.

Carbon steel rollers of high tensile strength, which eject the picture unit from the camera, are made to provide the proper amount of pressure every time the user takes a picture. They must burst the lead foil pod housing the activator fluid and spread it evenly in the picture unit.

Manufacture of parts prior to assembly must be done with an eye to finished purity and cleanliness. And the 600-foot assembly lines making the cameras have "kitchen clean" standards.

Assembly procedures, in the final analysis, are only as effective and efficient as the people who control them. Operators are highly trained to make assembly as precise and productive as possible.

It has been a valuable tradition that Kodak products work as well for the customer as they were designed to do. That's why Kodak took so much care in its research and development and why it continues to take so much care in the manufacturing process.

KODAK INSTANT PRINT FILM, SCHEMATIC SECTION AFTER PROCESSING

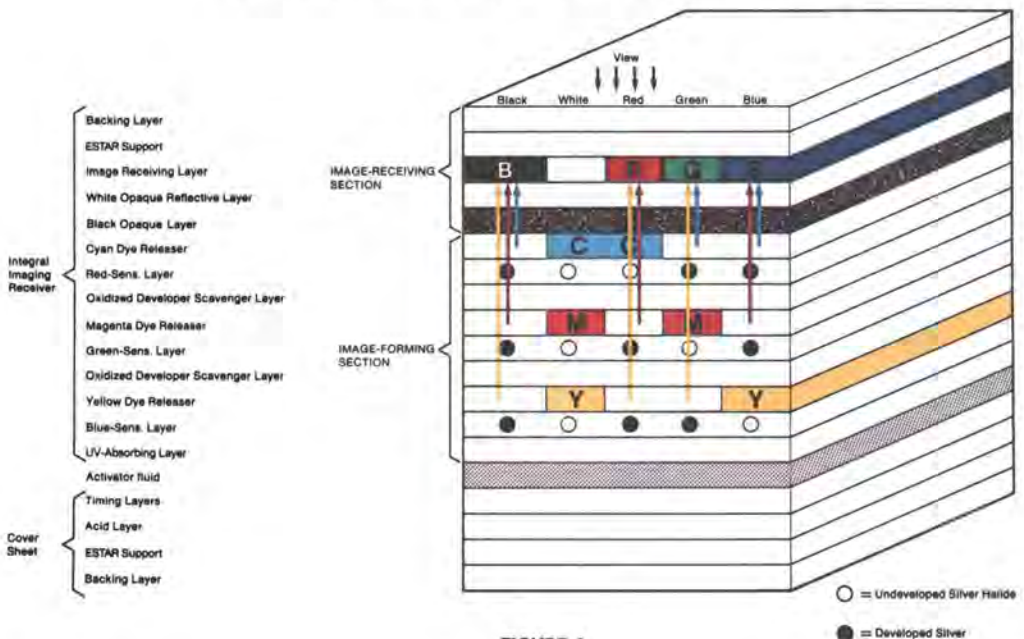


FIGURE 4

The Film is the Darkroom

Kodak instant print film contains its own darkroom where the new imaging process takes place after the picture unit is ejected from the camera.

The picture unit is comprised of a cover sheet, an integral imaging receiver, a pod containing activator fluid, and a trap where excess activator is contained.

Between the pod and the trap lies the picture area, where the color image formation takes place.

A cross section of the film shows that the cover sheet is made up of four microscopically thin layers of material. The integral imaging receiver has 14 layers (see diagram).

When the picture has been taken and the pod is burst by the camera's rollers, activator fluid is squeezed out to form a thin layer between the cover sheet and the integral imaging receiver.

Carbon suspended in the activator fluid renders it completely black and forms one wall of the darkroom. This opaque black layer seals off the silver halide emulsions from light which comes in from the exposure side (or "back") of the picture. Two opaque layers (one black,

one white) in the image receiving section form another wall of the darkroom.

The development process uses a fundamentally new imaging chemistry—a major breakthrough in photographic chemistry. It enables the film to meet high standards of color fidelity, and it also contributes to the film's relatively high speed (exposure index of 150).

The dyes in the film (cyan, magenta and yellow) are essential components, since they determine color characteristics. They do not include in their makeup any chemical product of the silver halide development and are "released" rather than formed in the process. Being chemically inert, they do not react with any of the materials present in layers they pass through in transit to the viewing region. The process results in a high level of color fidelity and low level of color contamination.

As the activator fluid penetrates and develops the emulsion layers of the integral imaging receiver, it also "eats its way" through the timing layers in the cover sheet, allowing the activator to contact a layer of acedric material. The acid neutralizes the alkaline activator fluid and further processing action is stopped.

Education Important to Kodak Instant Marketing Plan

Awareness plus education equals sales in the Kodak formula to market its new instant photo products.

From national advertising and promotional materials to dealer and dealer sales personnel training, the formula is at the heart of a marketing plan which will fully acquaint consumers with the benefits of these new products.

Color quality receives the key emphasis in the Kodak sales effort.

A wide-ranging quality advertising campaign to highlight the quality of Kodak instant prints resulting from easy-to-use, economical cameras will begin in July. The television campaign will be launched during telecasts of the Summer Olympics.

Equally important to the sales effort is an educational program for photo retailers.

In May, teams of Kodak photo specialists will travel throughout Canada, where the instant products initially are available to consumers. In 13 cities, an estimated 1,300 dealers or their

representatives will attend these sessions to familiarize themselves with the products.

In the United States, Kodak teams will travel during the fall pre-Christmas buying season to 137 cities in a similar educational effort. About 19,500 dealer personnel are expected to attend 325 scheduled training sessions.

Incentive plans have also been developed to assist photo dealers in realizing the full benefits of Kodak instant products to their total operations.

To aid users of Kodak instant photo products, a special "how to" book has been published. Entitled "Better Instant Pictures with KODAK Instant Cameras," the book contains 150 color illustrations along with tips on how to achieve optimum picture-taking results.

To spread the news to consumers about Kodak instant cameras and film, Kodak experts will travel across the U.S., appearing on various television programs to promote the new cameras and to give picture-taking advice.

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