



Kodak Highlights

February 1978

In this issue:

- New photographic products
- 1978 Capital budget
- Fourth quarter 1977 sales and earnings



Contents

- 3 New Kodak instant and traditional products
 - 6 Capital budget for 1978
 - 8 Kodak International Snapshot Awards
 - 10 Management changes
 - 11 Fourth quarter sales and earnings
 - 14 New photography encyclopedia
 - 15 News snaps
Change of Address form
 - 16 Silver recovery
-

On the cover

New Kodak products for amateur picture-takers were introduced in early 1978. The products (detailed beginning on page 3) include moderately-priced instant cameras which automatically deliver developing color pictures, and a new line of pocket cameras designed to adjust for high-speed film.

Kodak, Colorburst, Ektachrome, Ektra, Kodacolor, Recordak, Reliant, Tele-Ektra, The Handle, and Trimlite are trademarks.

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

February 1978/Volume 31/No. 1

© Eastman Kodak Company, 1978

Nine New Cameras, High-Speed Film Announced

Nine new still cameras, including three instant models, and a high-speed color-slide film were announced by Kodak in early February.

Versatile Kodak Ektra cameras automatically adjust for high-speed film to provide increased picture-taking possibilities with 110-size film. They are attractively priced and begin at less than \$20 for the Kodak Ektra 1 camera.

Kodak Colorburst instant cameras are easy-to-use motorized models which automatically deliver a developing color picture after release of the shutter button. Prices start at less than \$45.

The new Kodak Ektachrome 400 film, designed to extend slidemaking possibilities under low light levels, will be available in August. Further details, including price information, will be announced later this year.

New Pocket Cameras

Features of the pocket-size Kodak Ektra cameras include:

The Kodak Ektra 1 camera, a basic aim-and-shoot model with a single element 25 mm, $f/11$ lens. No user settings are required. The camera's shutter speed is automatically keyed by the insertion of either a cartridge of 100-speed or 400-speed film. List price is \$19.95. Deliveries to dealers will begin in April.

The Kodak Tele-Ektra 1 camera, a dual lens model with all the features of the

The Kodak Ektra 1 camera and the Kodak Tele-Ektra 1 camera are available in outfits which add a roll of Kodacolor II film and flash to the basic camera components.



Kodak Ektra 1 camera plus a combination cover/handle which both protects and covers the lens and viewfinder. The cover/handle swings open and locks to assist in camera steadiness. A normal two-element 22 mm, $f/9.5$ lens is set for pictures from five feet to infinity and the telephoto two-element 44 mm, $f/11$ lens is for pictures in the six foot to infinity range. This camera has a dual magnification rangefinder with parallax marks. Available in April, the camera has a list price of \$27.95.

The Kodak Ektra 2 camera, which is equipped with the combination cover/handle and features a two-position weather dial with "Sun" and "EX" settings. With the camera on the "Sun" setting and loaded with 400-speed film, the shutter speed is an action-stopping $1/500$ second. With 100-speed film at this setting, it operates at $1/250$ second. The "EX" position stands for extended range and switches the camera to a $1/60$ second shutter speed. When coupled to the $f/5.6$ lens aperture, the "EX" setting allows picture-taking on overcast days, in deep shade or of spotlighted events. The

camera has a list price of \$31.95 and will be available in April.

The Kodak Tele-Ektra 2 camera, a dual lens model with all the features of the Kodak Ektra 2 camera plus a dual magnification, wide-field, projected-frame viewfinder that incorporates four focus symbols and automatic parallax compensation. Both three-element lenses, a 22 mm $f/5.6$ and a 44 mm $f/5.6$, can be continuously focused from five feet to infinity. Also available in April, the camera has a list price of \$44.95.

The Kodak Ektralite camera, an aim-and-shoot model which features a built-in electronic flash. Deliveries to dealers will begin in August. Further details, including price information, will be available later this year.

The Kodak Ektramax camera, which is equipped with a built-in electronic flash and features a high aperture, multi-element lens for existing-light picture-taking capability with 400-speed film. This camera also will be available in August. Additional information, including price, will be announced later this year.



New Instant Cameras

The new Kodak instant cameras, which use Kodak instant print film, PR10, to provide pictures with a high degree of color fidelity, are:

The Kodak Colorburst 100 camera, with such convenience features as an improved zooming circle focus aid and an electronic shutter that operates from 1/300 to 1/20 second. A photosensor automatically sets the proper *f*/stop shutter speed combination for pleasing outdoor pictures, and lighten/darken control allows manual override of the automatic exposure control. Styled in black with a light brown padded vinyl insert, the camera is available now and has a list price of \$44.95.

The Kodak Colorburst 200 camera, with all the features of the Kodak Colorburst 100 instant camera as well as a built-in battery tester and a hinged lens cover, which when open features a padded vinyl insert. Also available now, the camera is styled in black with bright metallic trim. List price is \$54.95.

The Kodak Colorburst 300 camera, a moderately priced model which features a built-in electronic flash. The camera will be available in August. Further information will be announced later this year.

The cover handle (top) closes over the lens and viewfinder for protection.

A compact, new Kodak Ektra electronic flash (center) is available for the Ektra 2 and Tele-Ektra 2 cameras. The unit locks horizontally to the end of the camera without increasing camera thickness. The new Kodak Colorburst instant cameras (below) accept flipflash or electronic flash, including Kodak instant flash, model B.

Four models (left), including two dual-lens cameras, with a list price of under \$50 have been announced for shipment in April. Three of the new models—the Kodak Tele-Ektra 1, Kodak Ektra 2, and Kodak Tele-Ektra 2 cameras—feature a combination cover handle which swings open and locks to assist in camera steadiness.



1978 Capital Spending to Emphasize Productivity

Eastman Kodak Company has announced plans for worldwide capital expenditures of \$495 million in 1978.

The capital budget is \$69 million higher than the \$426 million spent in 1977.

The budget includes planned expenditures of \$275 million for the U.S. and Canadian Photographic Division, \$105 million for the International Photographic Division, and \$115 million for the Eastman Chemicals Division.

Walter A. Fallon, chairman and chief executive officer, said that the budget reflects considerable emphasis on productivity improvements.

"These capital additions," Fallon said, "will include production equipment that can operate at greater speeds with improved efficiency; additional capacity for the recovery of silver, polyester and other costly materials, and modifications of facilities to improve overall manufacturing effectiveness.

"There will also be some expansion of manufacturing capacity in response to sustained increases in demand for Kodak products," Fallon said. "We'll be spending substantial amounts to provide for new and improved products as well as for the continued upgrading of facilities for the protection of the environment and for further support of our efforts to maintain high health and safety standards for our facilities and our products."

Expenditures for 1977 were about \$111 million below the original forecast of \$537 million. This is attributed to selected deferral of noncritical projects.

The 1978 budget includes \$183 million for expansion and improvement projects in Rochester, N.Y., the company's headquarters and principal manufacturing location.

Major projects for the U.S. and Canadian Photographic Division in Rochester include:

Improvement of film, paper and chemical manufacturing facilities; increased capacity for solvent and polyethylene coating of film and paper support; additional capacity for the recovery of silver and of polyester film

base materials; expansion of film finishing capacity; continued construction of an addition to the Health, Safety and Human Factors Laboratory; projects related to the protection of the environment, and to the manufacture of Kodak Ektaprint copier-duplicators.

Budgeted expenditures for the U.S. and Canadian Photographic Division outside of Rochester will include additions and improvements at Kodak Colorado; relocation of the district marketing center in Washington, D.C., and a variety of projects intended to improve the efficiency in Kodak Canada manufacturing operations.



Major projects for Eastman Chemicals Division include:

At *Texas Eastman Company, Longview, Tex.*—Expansion of production capacities for Ektasolve glycol ethers, Epolene waxes, Eastobond adhesives and oxo-aldehydes and derivatives, and the installation of coal-fired boilers.

At *Tennessee Eastman Company, Kingsport, Tenn.*—Expansion of hydroquinone production capacity; start of construction of additional development facilities for chemicals and various environmental projects.

At *Carolina Eastman Company, Columbia, S.C.*—Construction of a coal-fired boiler,

completion of expanded production facilities for Kodol polyester yarn, and installation of new polymer handling systems.

At *Arkansas Eastman Company, Batesville, Ark.*—Expansion of production facilities for organic chemicals and various environmental projects.

The International Photographic Division program will include:

Expansion or improvement of selected sensitizing goods finishing operations at all manufacturing facilities, and the expansion of distribution facilities in Norway, Brazil and Australia.



Highly mechanized photographic paper finishing operations (top) at Kodak Park Division are used to meet customer demand.

Computer-controlled drafting (right) at Kodak Park Division allows designers to produce technical drawings faster and more efficiently.



Construction in progress at Kodak Park (left), the company's largest manufacturing division.



◀ Robert E. Abernathy, Granite Falls, North Carolina
The Greensboro Record



David S. Homan, Ashland, Kentucky
Huntington (W.Va.) Herald-Dispatch



Mrs. Susan
Nygaard Keith,
Magnolia, Arkansas
Shreveport Times

James R. Sanders,
Cocoa, Florida
Today



1977 KINSA Award Winners

Each year newspapers throughout North America participate in the Kodak International Snapshot Awards Contest. In 1977, more than 350,000 entries were made to 123 newspapers in the United States, Canada and Mexico. Some of the award winners are presented here. Kodak sponsors the contest to stimulate interest in amateur picture-taking. Participation has grown steadily through the years. The contest was first held in 1935 when 64 newspapers took part.



*Juan M. Chavez, Fort Lewis, Washington
Tacoma News Tribune*

John David Crow, Shreveport, Louisiana, Shreveport Times



New Director, Company Officers Named



Lyet



Mitchell



Petrey



Sherman

A Kodak director, two vice presidents, and an assistant vice president were elected at the November 1977 meeting of the Board of Directors.

J. Paul Lyet, chairman of the board and chief executive officer of Sperry Rand Corporation, is the most recent addition to the Kodak Board. He joined Sperry New Holland's farm equipment division as comptroller in 1943, and served successively as vice president, secretary-treasurer, and vice president and general manager of Sperry New Holland's U.S. and Canadian operations before being named president of the division in 1969. He was elected an executive vice president and a director of Sperry in 1970 and became president of the corporation a year later. In 1972, he was elected chairman and chief executive officer.

Lyet's other directorships include: Armstrong Cork Company, Continental Group, Inc., Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company.

The new Kodak vice presidents, **James A. Mitchell** and **Robert C. Petrey**, are with the Eastman Chemicals Division (ECD). Petrey also was appointed an assistant general manager of ECD. Mitchell is responsible for long-range planning and capital programs at ECD.

Mitchell started with Kodak in 1939 in Rochester, N.Y., and a year later moved to Kingsport as an engineer in the quality control department of the cellulose esters division. Over the next decade he held positions of increasing responsibility in that division and in 1950 was named chief engineer in charge of quality control.

Mitchell appointments eventually in-

cluded superintendent of the development and control department, assistant superintendent of the acid division, and vice president and works manager of TEC. He became executive vice president, manufacturing, TEC, in 1969 and ultimately was given responsibility for long-range planning and capital programs at ECD. He was appointed a Kodak assistant vice president in 1974.

Petrey joined the Tennessee Eastman Company (TEC) in 1943 as a chemical engineer. He became superintendent of the ECD acid division in 1960. Subsequently, his titles included assistant general superintendent, filter products division, Kodel fiber division, and plastic products division; general superintendent of the Kodel fiber division and filter products division; and general superintendent of the fiber development division.

In 1970, Petrey was named assistant works manager and in 1975 was appointed a vice president of TEC.

The new assistant vice president at Kodak is **William E. Sherman**, who succeeded **Paul A. Barbee** as general manager of the graphics markets division, U.S. and Canadian Photographic Division. Barbee retired February 1, 1978 after 44 years with the company. Sherman had been assistant general manager since September 1977.

Sherman began his Kodak career in 1950 in the film testing division at Kodak Park. His appointments include New York City Region district sales manager for professional, commercial and industrial markets division, regional sales manager for graphics markets division, and director of the company's marketing education center in Rochester.

Kodak's 1977 Sales a Record, Net Earnings Level; Demand and Productivity High in Fourth Quarter

ROCHESTER, N.Y., Feb. 9—Eastman Kodak Company's performance in 1977 reflected significant fourth quarter gains in sales and operating earnings as real demand continued high and efforts to improve productivity yielded positive results.

Fourth quarter sales in 1977 were \$1,880,698,000, 11 percent higher than the \$1,687,150,000 reported for the same period in 1976. Earnings from operations for the quarter increased 9 percent to \$399,016,000 (compared with \$364,640,000) for fourth quarter 1976. Net earnings increased 2 percent to \$226,146,000 (\$221,654,000 for fourth quarter 1976), and were equal to \$1.40 per share (\$1.37 in 1976). Fourth quarter net earnings last year benefited in the amount of \$17.2 million from two non-recurring items—the sale of a property in France and a gain on an insurance recovery resulting from damage to certain properties at Texas Eastman Company. Also, there was an unusually low effective tax rate for the quarter a year ago.

For the year 1977 consolidated worldwide sales were a record \$5,966,986,000, an increase of 10 percent from the \$5,438,170,000 reported for 1976. Operating earnings for 1977 increased 5 percent to \$1,188,478,000. Net earnings were \$643,448,000, or 1 percent less than the \$650,618,000 reported a year ago. Earnings were equal to \$3.99 per share (\$4.03 per share in 1976).

Walter A. Fallon, chairman and chief executive officer, and Colby H. Chandler, president, commented in a joint statement on results for the year:

"For Eastman Kodak Company, 1977 was a year of challenge and a year of achievement. Despite uneven economic conditions and continued pressure on the spendable income of consumers, real demand for Kodak products strengthened as the year progressed, resulting in record sales for the full year.

"Earnings from operations advanced on the basis of good gains in unit volume and productivity improvements. Net earnings were marginally lower, reflecting the absence of non-recurring gains included in 1976 results and a decline in the company's U.S. investment tax credit.

"All in all, it was a year of business expansion and one we can look back on with considerable satisfaction."

The Kodak executives commented on the performance of the three major operating divisions:

"U.S. & Canadian Photographic Division sales increased 10 percent to \$3,389,246,000 compared with 1976 sales of \$3,070,973,000. Unit volume was responsible for most of the gain and each marketing division reported increased shipments. Traditional color film sales were substantially ahead of 1976 while Kodak instant products experienced increasing acceptance by consumers. Sales of traditional amateur equipment declined. Major contributors to the sharp gain in business systems revenues were the Ektaprint copier-duplicators and the Oracle and Starvue microfilm products. Sales of radiography products were substantially ahead of 1976, and good gains were reported in sales of products for graphics, entertainment and audiovisual, and professional markets.

"Sales of \$1,962,101,000 were reported by the International Photographic Division, an increase of 9 percent from 1976 sales of \$1,805,274,000. A major source of the gain was higher unit volume, with all regions recording increased demand. In Europe sales increased substantially, and results were good in Latin America and elsewhere.

"Eastman Chemicals Division sales of \$1,374,348,000 in 1977 were ahead 10 percent compared with the \$1,246,573,000 reported a year ago, reflecting improved volume. Chemicals sales continued strong during 1977, with fibers ahead of last year. Plastics sales in 1977 were somewhat ahead of the record levels achieved in the previous year.

Continued

The Outlook. In 1978, the drive to improve sales and productivity will continue. While the U.S. economy should continue to grow, the rate of gain is expected to slow somewhat. Abroad, economic growth should continue at a moderate rate, as it did in 1977. Set against this background, we look for good gains in sales of photographic products at home and in international markets. While the business in man-made fibers will continue to be influenced by worldwide overcapacity and depressed prices, demand should be good for chemicals and plastics.

“Concerning earnings, there is no question about our objectives: Growth in earnings per share at attractive rates of return. The emphasis on cost effectiveness, on maintaining Kodak’s position in quality, and on service support will continue. We are confident that this effort will produce positive results.”

	Fourth Quarter (16 Weeks) Ended		For the Year (52 Weeks) Ended	
	Dec. 25, 1977	Dec. 26, 1976	Dec. 25, 1977	Dec. 26, 1976
Supplemental information:				
(Dollar amounts in thousands, except per share figures)				
Exchange losses and the effect of translation of net monetary assets	\$ 5,500	\$ 8,700	\$ 14,300	\$ 8,400
Effect of translation of assets carried at historical dollar cost	5,500	17,300	38,500	52,600
Total exchange losses and adjustments related to translation of foreign currencies	<u>\$ 11,000</u>	<u>\$ 26,000</u>	<u>\$ 52,800</u>	<u>\$ 61,000</u>
Cash dividends declared	\$ 145,236	\$ 145,233	\$ 338,879	\$ 334,017
Per common share	\$.90	\$.90	\$ 2.10	\$ 2.07
Capital expenditures	\$ 126,669	\$ 149,600	\$ 425,624	\$ 497,235
Number of shareowners at close of year			247,803	239,528
Cash and marketable securities			\$ 957,893	\$ 779,802
Net current assets			\$1,953,281	\$1,697,642

Consolidated Statement of Earnings

Eastman Kodak Company and Subsidiary Companies

	Fourth Quarter (16 Weeks) Ended		For the Year (52 Weeks) Ended	
	Dec. 25, 1977	Dec. 26, 1976	Dec. 25, 1977	Dec. 26, 1976
(Amounts in thousands, except per share figures)				
Sales				
Sales to: Customers in the United States	\$1,189,504	\$1,072,283	\$3,506,979	\$3,166,292
Customers outside the United States	691,194	614,867	2,460,007	2,271,878
TOTAL SALES	<u>1,880,698</u>	<u>1,687,150</u>	<u>5,966,986</u>	<u>5,438,170</u>
Costs				
Cost of goods sold	1,118,690	998,525	3,615,664	3,272,376
Sales, advertising, distribution, and administrative expenses	362,992	323,985	1,162,844	1,038,937
Total costs and expenses	<u>1,481,682</u>	<u>1,322,510</u>	<u>4,778,508</u>	<u>4,311,313</u>
Earnings				
EARNINGS FROM OPERATIONS	399,016	364,640	1,188,478	1,126,857
Interest income	15,179	12,384	42,096	38,840
Interest expense	4,404	4,359	18,911	14,987
Other income and (charges)	(2,145)	7,489	(10,715)	17,908
EARNINGS BEFORE INCOME TAXES	407,646	380,154	1,200,948	1,168,618
Provision for United States, foreign, and other income taxes	181,500	158,500	557,500	518,000
NET EARNINGS	<u>\$ 226,146</u>	<u>\$ 221,654</u>	<u>\$ 643,448</u>	<u>\$ 650,618</u>
Average number of common shares outstanding			161,370	161,356
Net earnings per share	\$ 1.40	\$ 1.37	\$ 3.99	\$ 4.03
Supplemental information:				
Provision for depreciation	\$ 96,403	\$ 99,344	\$ 322,666	\$ 291,933
Research and development expenses included in cost of goods sold	\$ 106,488	\$ 101,894	\$ 351,097	\$ 335,489
Companies operating outside the U.S.:				
Sales	\$ 640,007	\$ 566,936	\$2,280,310	\$2,108,779
Earnings from operations	75,009	59,834	265,626	242,349
Net earnings	39,742	24,202	121,331	111,388

Photography Encyclopedia Issued by Kodak

The first three volumes of a 14-volume set of encyclopedias dedicated to photography are available at bookstores and photo dealers'.

The *Encyclopedia of Practical Photography* is being published jointly by Kodak and the American Photographic Book Publishing Company. Issued by individual volumes, the entire set will be available by year-end.

The volumes contain information compiled and edited by the technical staffs of both companies, drawing on their vast resources of published material—in particular, the Kodak library of data books and Dataguides.

Practical and creative photographic concepts are arranged alphabetically for easy reference. There are cross references and bibliographies throughout each volume and an extensive index in Volume 14. Each volume has a list price of \$11.95.

The advantage of the encyclopedia is that information hitherto available only from a variety of sources is now compiled in a convenient reference source.

The creation of the new encyclopedia is part of Kodak's continuing effort to help people take better pictures by publishing current information about photography and Kodak photographic products, and how to use them.

In scope, the encyclopedia embraces nearly every aspect of photography, including photographic theory, optics, and chemistry. Also included are short biographies of important photographic innovators. The major emphasis, however, is on practical



advice and instruction on using light, film, and chemicals to help readers get the most out of their equipment.

Articles are written in a concise, easy-to-understand style and can offer enjoyable leisure-time reading as well as provide excellent reference tools.

More than 200 full-color illustrations, charts, and tables are in each 200-page, 8- x 10-inch volume. Volume I covers 66 topics from "A and B Roll Editing" to "Baby and Child Photography." The second volume includes 77 topics from "Back Focus" to "Characteristic Curve." The third volume was issued in January and a fourth was scheduled for release in February.

News Snaps

New microfilm products were introduced by Kodak in late January, including three low-cost microfilm readers and a new rotary microfilmer designed for medium-volume applications.

The new Recordak Reliant 550 microfilmer offers a high degree of versatility and operator convenience. It is designed to maximize work flow in such operations as industrial microfilming and branch bank

applications. Low-cost, interchangeable microfilm cassettes can be used to allow several operators from different departments to use one microfilmer.

Two of the new Kodak Trimlite readers are used with 16 mm roll microfilm, while the third is a microfiche reader. They are designed for low-to-medium volume use, and a new modular printer is available for use with the equipment.

MORE Than Your Share? If you receive multiple copies of Kodak shareowner publications, including the annual report and HIGHLIGHTS, in your household and wish to avoid duplication, you can do so by completing the form below and returning it to our transfer agent, Lincoln First Bank of Rochester, P.O. Box 1250, Rochester, N.Y. 14603. A separate form should be completed and returned for each account for which you do not wish to receive Kodak shareowner publications.

Name of Shareowner _____

Shareowner Account Number _____

Street _____

City _____ State _____ Zip _____

Signature _____

(sign name exactly as it appears on stock certificate)

News Snaps

Sales of Kodak instant cameras tripled in 1977, while sales of the company's instant print film nearly quadrupled, according to John R. Robertson, general manager of Eastman Kodak Company's consumer markets division.

Robertson said the company was particularly pleased with customer response to The Handle, the least expensive instant camera offered by Kodak. He said The Handle accounted for nearly 60 percent of Kodak's shipments of instant cameras in 1977 and noted that demand has exceeded supplies available throughout the Christmas selling season.

Concerning demand for film, Robertson said 1977 shipments of Kodak instant print film were nearly quadruple those of 1976. He added that the consumption of film per camera approximates previous industry experience with pocket or 110 products.

He attributed Kodak's strong worldwide showing to "cameras that offer good value at attractive prices and a superb film featuring excellent color quality." Also, he noted that orders for Kodak instant products have continued strong into the new year.

• • •

A letter mailed to Kodak shareowners after a federal court jury in New York City concluded in mid-January that the company had violated federal antitrust laws and had in-

jured the business of Berkey Photo, Inc., said in part:

"Obviously, we are disappointed with the jury's verdict. We continue to believe that Kodak has not violated the antitrust laws . . . and we are confident that our interpretation of the law will be upheld through the appellate process."

The letter from Walter A. Fallon, Kodak chairman and chief executive officer, went on to say that the company does not believe that antitrust law permits a jury to pass judgment on the merits of a product, the introduction of component parts of a photographic system, or whether Kodak was required to tell its competitors the direction of its research and details of its development programs. Fallon stated the belief that "the introduction by Kodak of new and innovative products has not violated the antitrust laws."

The letter concluded: "As this litigation moves into succeeding stages, we will operate the company as we have in the past—seeking to develop, introduce and market products and processes that will meet the needs and wants of our customers."

Copies of the full text of the statement may be obtained by writing Investor Services, Eastman Kodak Company, 343 State Street, Rochester, N.Y. 14650.

KODAK HIGHLIGHTS
EASTMAN KODAK COMPANY
343 STATE STREET
ROCHESTER, N.Y. 14650

Bulk Rate
U.S. Postage Paid
Eastman Kodak Company



Recovery of silver from the photographic process is of obvious importance to photofinishers. A significant step forward in the effective recovery of silver from processing effluents has been developed by engineers at the Photographic Technology Division at Kodak Park. The new system will benefit photofinishers everywhere.

CR5-78F