



Kodak Highlights

Second Quarter 1981

In this issue:

- Midyear Sales and Earnings
- New Products
- Copier in Europe



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On the Cover

An eight-year-old girl from Decatur, Georgia, won the \$100 first-place award in the junior category of the National Boys Club/Kodak Photo Contest for the picture on the cover of this issue. Felicia Grier titled her color photograph of fellow club members hanging on monkey bars "The Laughing Ladder." The contest is held annually to stimulate interest among young people in taking pictures.

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

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Ektaprint Copiers Introduced in Europe

Kodak's plans to introduce Ektaprint copier-duplicators in Europe this year have received a warm reception, according to various publications in France, Germany, and Great Britain.

For example, the May, 1981, issue of the British trade magazine *Printshop* notes that: "Kodak built its biggest-ever Yellow Box from which to roll out to an eager British market its high-volume Ektaprint plain paper copier-duplicators . . . Print shops are naturally delighted . . ."

The French publication *Le Matin* quotes Bernard Blanchard, Deputy General Manager at Kodak-Pathé, saying: "We were looking for image-related diversification opportunities." The publication then notes that "It is true that this type of machine (Ektaprint copier-duplicator) uses techniques that have long been mastered by Kodak, particularly in regards to optics and films."

Designed to meet the requirements of the European marketplace, the Ektaprint copier-duplicators include such features as:

- zoom reduction capabilities to accommodate the many different paper sizes found throughout Europe;

- a microcomputer that controls and monitors copying operations and helps keep other important machine functions at full performance;

- advanced electrophotographic imaging technology that provides excellent copy quality from a broad range of originals.

Beginning in the fourth quarter, the copier-duplicators will be available through the company's International Photographic Division in West Germany, the United Kingdom, Netherlands, Belgium, and France.

Kodak also plans to have a complete team of sales and technical service professionals in each country to accommodate customer needs. The company also will offer pricing plans, invoicing procedures, and customer-support programs designed to meet the special requirements of the European community.

The specific units that will be available are

A display panel of an Ektaprint copier-duplicator to be marketed in France receives a final check.



the Kodak Ektaprint 160P, 160PS, 165F, and 165AF copier-duplicators.

The Ektaprint 160P and 160PS units feature an automatic positioner which takes the original from the operator's hand, automatically positions the original on the copier platen, and removes the original after the copies have been made—all in a matter of seconds. This feature has particular application in short-run, walk-up copying situations. In addition to the automatic positioner, the Ektaprint 160PS copier-duplicator has a

sorter which collates and jogs copy sets.

The Ektaprint 165F and 165AF units feature an automatic recirculating feeder which collates while copying, thus eliminating manual collating and large sorter bins. The Ektaprint 165AF copier-duplicator also has a finisher which automatically jogs, staples, and stacks finished sets without operator assistance. These units are especially suited for large-volume applications.

All Kodak Ektaprint copier-duplicators operate at the rate of 4,200 copies per hour.

Ektachem 100 Analyzer Unveiled

The Kodak Ektachem 100 analyzer, developed specifically for medical laboratories that desire an automated analyzer to perform certain key tests, has been introduced by the company.

The Ektachem 100 analyzer provides fast, colorimetric analysis of patient samples without the need for wet reagents, intricate plumbing, or complex operating procedures. Its many benefits are the same as those associated with the Ektachem 400 analyzer, except that the 400 analyzer can also perform potentiometric tests.

Ektachem clinical chemistry slides now in use with both the Ektachem 100 and

Ektachem 400 analyzers include those which provide colorimetric testing of blood serum for glucose, BUN/urea, calcium, uric acid, amylase, total protein, albumin, and triglycerides.

Chemistries soon to be available from Kodak will enable colorimetric assays to be conducted for cholesterol, neonatal bilirubin, creatinine, and ammonia in blood serum. Methods for colorimetric assays of calcium, amylase, and urea in urine, and for glucose in both urine and cerebral spinal fluid will also be forthcoming.

Kodak also has announced that it is developing chemistries which will enable colorimetric assays to be conducted for several enzymes, as well as for colorimetric assay of total bilirubin, phosphorus and lactate in blood serum, and for creatinine in urine.

The Ektachem 100 analyzer has been designed so it can easily be upgraded, at the customer site, to perform potentiometric as well as colorimetric tests. It will be available on a sale, rental, or lease basis. Initial availability will be in geographic areas of the United States where Kodak sales and service personnel are located to provide customer support as needed.



Ektachem 100 analyzer performs colorimetric testing.

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Midyear Report to Shareowners

Management's Discussion and Analysis of Financial Condition and Results of Operations.

In Summary

(in millions, except earnings per share)

| | Second Quarter | | | First Half-Year | | |
|--|----------------|-----------|--------|-----------------|-----------|--------|
| | 1981 | 1980 | Change | 1981 | 1980 | Change |
| Sales | \$2,417.4 | \$2,130.6 | +13% | \$4,722.7 | \$4,267.7 | +11% |
| Earnings from Operations | 485.1 | 386.4 | +26 | 896.3 | 711.7 | +26 |
| Earnings before Income Taxes | 507.0 | 424.2 | +20 | 949.1 | 759.7 | +25 |
| Net Earnings | 284.5 | 239.7 | +19 | 533.6 | 432.7 | +23 |
| Per Share | \$1.77 | \$1.48 | | \$3.31 | \$2.68 | |

Sales Advance

All operating divisions reported higher sales for the second quarter and the first half of 1981.

Sales by Segment

(in millions)

| | Second Quarter | | | First Half-Year | | |
|---|----------------|-----------|--------|-----------------|-----------|--------|
| | 1981 | 1980 | Change | 1981 | 1980 | Change |
| U.S. & Canadian Photographic | \$1,321.3 | \$1,155.9 | +14% | \$2,543.6 | \$2,295.3 | +11% |
| International Photographic | 845.2 | 828.5 | + 2 | 1,742.7 | 1,643.1 | + 6 |
| Deduct: Interdivisional Sales | (239.5) | (269.0) | | (515.8) | (509.5) | |
| Photographic Segment | 1,927.0 | 1,715.4 | +12 | 3,770.5 | 3,428.9 | +10 |
| Chemicals Segment | 550.1 | 468.9 | +17 | 1,074.1 | 948.8 | +13 |
| Deduct: Intersegment Sales | (59.7) | (53.7) | | (121.9) | (110.0) | |
| Total Worldwide | \$2,417.4 | \$2,130.6 | +13% | \$4,722.7 | \$4,267.7 | +11% |

For the Photographic segment, sales gains were recorded by both divisions in the second quarter compared with the same period last year. Higher unit volume was the primary reason for the increases. In the U.S. & Canadian Photographic Division, higher sales were achieved by all markets divisions with particularly good growth in revenues from copier products. In the International Photographic Division, strong sales increases occurred in the Latin American, and Asian, African, and Australasian Regions, while lower sales revenues were realized by the European Region reflecting the adverse effect of foreign exchange rate movements. For the half-year, sales gains in both divisions resulted from increased unit volume and higher selling prices.

For the Chemicals segment, increased unit volume and higher selling prices contributed to sales gains in the second quarter. Gains were reported for chemicals, fibers, and plastics in both the quarter and for the half-year.

Sales to the U.S. Government and defense contractors amounted to \$151.7 million for the first half of the year, and represented approximately 3 percent of total sales.

Earnings Higher

Earnings in the quarter benefitted from increased sales volume and slightly higher selling prices compared with the same quarter last year. Generally higher costs were experienced in the quarter for materials, labor, and employee benefits. Earnings related to sales were higher in the second quarter and year-to-date compared with the similar periods last year, but were below the averages for the years 1970-1980.

| Costs and Expenses (in millions) | Second Quarter | | | First Half-Year | | |
|--|----------------|-----------|--------|-----------------|-----------|--------|
| | 1981 | 1980 | Change | 1981 | 1980 | Change |
| Cost of goods sold | \$1,488.7 | \$1,345.9 | +11% | \$2,939.9 | \$2,776.8 | + 6% |
| Percent of Sales | 61.6% | 63.2% | | 62.3% | 65.1% | |
| Sales, advertising, distribution and administrative expenses | \$ 443.6 | \$ 398.3 | +11% | \$ 886.5 | \$ 779.2 | +14% |
| Percent of Sales | 18.3% | 18.7% | | 18.7% | 18.2% | |

Cost of goods sold included research and development expenditures of \$138.3 million in the second quarter compared with \$116.2 million last year. For the half-year, these expenditures amounted to \$277.2 million, compared with \$233.3 million in 1980.

| Earnings from Operations | Second Quarter | | | First Half-Year | | |
|--------------------------------|----------------|---------|--------|-----------------|---------|--------|
| | 1981 | 1980 | Change | 1981 | 1980 | Change |
| Amount (in millions) | \$485.1 | \$386.4 | +26% | \$896.3 | \$711.7 | +26% |
| Percent of Sales | 20.1% | 18.1% | | 19.0% | 16.7% | |

Interest income increased in the quarter and half-year as the result of higher yields on a larger balance of securities. Interest expense was greater primarily due to higher interest rates incurred by overseas companies. The after tax loss on exchange and the net effect of translation of monetary assets and liabilities was a gain of \$15.1 million in the quarter compared with a gain of \$6.6 million a year ago. For the half-year, the gain amounted to \$19.3 million compared with a loss of \$2.0 million in 1980. Other income and charges included realized and unrealized losses on equity securities of \$5.5 million in the second quarter compared with a gain of \$9.4 million in the second quarter a year ago. For the half-year, the loss amounted to \$7.6 million compared with a gain of \$1.8 million in the comparable period a year ago. The provision for income taxes for the second quarter was \$222.5 million, compared with \$184.5 million a year ago; and for the half-year, the provision totaled \$415.5 million, compared with \$327.0 million in 1980.

| Net Earnings | Second Quarter | | | First Half-Year | | |
|--------------------------------|----------------|---------|--------|-----------------|---------|--------|
| | 1981 | 1980 | Change | 1981 | 1980 | Change |
| Amount (in millions) | \$284.5 | \$239.7 | +19% | \$533.6 | \$432.7 | +23% |
| Percent of Sales | 11.8% | 11.2% | | 11.3% | 10.1% | |

Dividends to Shareowners

During the second quarter of 1981, a cash dividend of 75 cents per share on the company's common stock was declared. Total dividends declared for the year-to-date amounted to \$242.1 million, up 25% from the \$193.7 million declared during the same period a year ago.

Financial Position

Cash and marketable securities were \$1,237.3 million at the end of the second quarter, compared with \$1,585.1 million at year-end. Worldwide inventories were \$1,881.3 million, up 10 percent from \$1,702.8 million at year-end. Receivables were \$1,763.6 million, up 5 percent from \$1,678.0 at year-end. Working capital at the end of the quarter increased slightly to \$3,033.1 million from \$2,998.2 million at year-end.

| Capital Expenditures (in millions) | Second Quarter | | First Half-Year | |
|--|----------------|---------|-----------------|---------|
| | 1981 | 1980 | 1981 | 1980 |
| U.S. & Canadian Photographic | \$151.4 | \$ 96.3 | \$289.4 | \$187.0 |
| International Photographic | 43.1 | 46.2 | 79.1 | 78.7 |
| Total Photographic | 194.5 | 142.5 | 368.5 | 265.7 |
| Eastman Chemicals | 55.6 | 32.1 | 100.5 | 67.5 |
| Total | \$250.1 | \$174.6 | \$469.0 | \$333.2 |

The provision for depreciation for the first two quarters of 1981 was \$193.7 million compared with \$168.5 million for the first half of 1980.

Outlook

We continue to see 1981 as a year of good results for Kodak, though we would note, again, that quarterly earnings comparisons will be more challenging as the year proceeds.

Walter A. Fallon
Chairman

Colby W. Chandler
President

Consolidated Statement of Earnings

Eastman Kodak Company and Subsidiary Companies

Sales

| | |
|--|-------|
| Sales to: Customers in the United States | ..... |
| Customers outside the United States | ..... |
| TOTAL SALES | ..... |

Costs

| | |
|---|-------|
| Cost of goods sold | ..... |
| Sales, advertising, distribution, and administrative expenses | ..... |
| Total costs and expenses | ..... |

Earnings

| | |
|--|-------|
| EARNINGS FROM OPERATIONS | ..... |
| Interest income | ..... |
| Interest expense | ..... |
| Other income and (charges) | ..... |
| EARNINGS BEFORE INCOME TAXES | ..... |
| Provision for United States, foreign, and other income taxes | ..... |
| NET EARNINGS | ..... |
| Average number of shares of common stock outstanding | ..... |
| Net earnings per share | ..... |
| Cash dividends per share | ..... |

Consolidated Statement of Retained Earnings

Retained Earnings

| | |
|--|-------|
| Retained earnings at beginning of quarter/year | ..... |
| Net earnings | ..... |
| TOTAL | ..... |
| Cash dividends declared | ..... |
| RETAINED EARNINGS at end of quarter | ..... |

Supplemental information:

Operations of subsidiary companies outside the U.S.
included in Consolidated Statement of Earnings:

| | |
|--------------------------|-------|
| Sales | ..... |
| Earnings from operations | ..... |
| Net earnings | ..... |

| Second Quarter (12 Weeks) Ended | | Half-Year (24 Weeks) Ended | |
|--|--------------------|-------------------------------|--------------------|
| June 14, 1981 | June 15, 1980 | June 14, 1981 | June 15, 1980 |
| (in thousands, except per share amounts) | | | |
| \$1,367,846 | \$1,105,791 | \$2,577,636 | \$2,240,679 |
| 1,049,543 | 1,024,866 | 2,145,091 | 2,027,062 |
| <u>2,417,389</u> | <u>2,130,657</u> | <u>4,722,727</u> | <u>4,267,741</u> |
| 1,488,780 | 1,345,903 | 2,939,943 | 2,776,764 |
| 443,564 | 398,332 | 886,510 | 779,247 |
| <u>1,932,344</u> | <u>1,744,235</u> | <u>3,826,453</u> | <u>3,556,011</u> |
| 485,045 | 386,422 | 896,274 | 711,730 |
| 34,725 | 28,289 | 81,842 | 62,682 |
| 15,245 | 10,762 | 27,327 | 18,568 |
| 2,454 | 20,199 | (1,682) | 3,819 |
| <u>506,979</u> | <u>424,148</u> | <u>949,107</u> | <u>759,663</u> |
| <u>222,500</u> | <u>184,500</u> | <u>415,500</u> | <u>327,000</u> |
| <u>\$ 284,479</u> | <u>\$ 239,648</u> | <u>\$ 533,607</u> | <u>\$ 432,663</u> |
| | | 161,390 | 161,391 |
| \$1.77 | \$1.48 | \$3.31 | \$2.68 |
| \$.75 | \$.60 | \$1.50 | \$1.20 |
| \$5,482,373 | \$4,813,330 | \$5,354,285 | \$4,717,150 |
| 284,479 | 239,648 | 533,607 | 432,663 |
| <u>5,766,852</u> | <u>5,052,978</u> | <u>5,887,892</u> | <u>5,149,813</u> |
| <u>121,048</u> | <u>96,834</u> | <u>242,088</u> | <u>193,669</u> |
| <u>\$5,645,804</u> | <u>\$4,956,144</u> | <u>\$5,645,804</u> | <u>\$4,956,144</u> |
| \$ 975,537 | \$ 944,384 | \$1,979,622 | \$1,870,108 |
| 94,357 | 116,840 | 192,008 | 222,541 |
| 33,514 | 61,372 | 78,949 | 119,437 |

Consolidated Balance Sheet

Eastman Kodak Company and Subsidiary Companies

| Assets | June 14, 1981 | Dec. 28, 1980 | June 15, 1980 |
|--|--------------------|--------------------|--------------------|
| Current Assets | | (in thousands) | |
| Cash | \$ 116,261 | \$ 147,214 | \$ 205,210 |
| Marketable securities | 1,121,032 | 1,437,848 | 1,071,892 |
| Receivables | 1,763,628 | 1,677,975 | 1,605,405 |
| Inventories | 1,881,289 | 1,702,806 | 1,767,725 |
| Deferred income tax charges | 205,521 | 229,528 | 184,609 |
| Prepaid charges applicable to future operations | 67,880 | 50,232 | 45,374 |
| Total current assets | <u>5,155,611</u> | <u>5,245,603</u> | <u>4,880,215</u> |
| Properties | | | |
| Land, buildings, machinery, and equipment at cost | 7,296,320 | 6,860,811 | 6,343,690 |
| Less: Accumulated depreciation | <u>3,595,098</u> | <u>3,426,113</u> | <u>3,229,488</u> |
| Net properties | <u>3,701,222</u> | <u>3,434,698</u> | <u>3,114,202</u> |
| Other Assets | | | |
| Unamortized excess cost of investments in consolidated subsidiaries over net assets acquired | 4,381 | 5,198 | 6,168 |
| Long-term receivables and other noncurrent assets | 78,248 | 68,492 | 69,917 |
| TOTAL ASSETS | <u>\$8,939,462</u> | <u>\$8,753,991</u> | <u>\$8,070,502</u> |
| Liabilities and Shareowners' Equity | | | |
| Current Liabilities | | | |
| Payables | \$1,552,150 | \$1,563,887 | \$1,404,594 |
| Taxes—income and other | 449,363 | 481,803 | 439,908 |
| Dividends payable | <u>121,048</u> | <u>201,736</u> | <u>96,833</u> |
| Total current liabilities | 2,122,561 | 2,247,426 | 1,941,335 |
| Other Liabilities and Deferred Credits | | | |
| 4½% convertible debentures—due 1988 | 66,056 | 66,056 | 66,056 |
| Other long-term liabilities | 136,828 | 141,824 | 182,535 |
| Deferred income tax credits | <u>294,310</u> | <u>270,879</u> | <u>250,911</u> |
| Total liabilities and deferred credits | <u>2,619,755</u> | <u>2,726,185</u> | <u>2,440,837</u> |
| Shareowners' Equity | | | |
| Common stock* | | | |
| Par value—paid in or transferred from retained earnings | 403,967 | 403,966 | 403,966 |
| Additional capital paid in or transferred from retained earnings | 269,936 | 269,555 | 269,555 |
| Retained earnings | <u>5,645,804</u> | <u>5,354,285</u> | <u>4,956,144</u> |
| Total shareowners' equity | <u>6,319,707</u> | <u>6,027,806</u> | <u>5,629,665</u> |
| TOTAL LIABILITIES AND SHAREOWNERS' EQUITY | <u>\$8,939,462</u> | <u>\$8,753,991</u> | <u>\$8,070,502</u> |

*Common stock: \$2.50 par value, 360,000,000 shares authorized, 161,586,702 (161,586,494 in 1980) shares issued. Of the shares authorized, 687,875 (688,083 in 1980) shares are reserved for the conversion of the debentures issued by Eastman Kodak International Capital Company, Inc.

Consolidated Statement of Changes in Financial Position

Eastman Kodak Company and Subsidiary Companies

| | Half-Year (24 Weeks) Ended | |
|--|-------------------------------|--------------------|
| | June 14, 1981 | June 15, 1980 |
| | (in thousands) | |
| Funds Provided by: | | |
| Net earnings | \$ 533,607 | \$ 432,663 |
| Charges to earnings not requiring cash outlay: | | |
| Depreciation | 193,723 | 168,450 |
| Retirement of properties, net | 8,730 | 10,559 |
| Provision for deferred income taxes, net | 44,111 | (56,289) |
| Amortization of excess cost of investments in subsidiaries | 817 | 792 |
| Total from earnings | 780,988 | 556,175 |
| Increase (decrease) in current liabilities | (124,865) | 200,348 |
| TOTAL FUNDS PROVIDED | 656,123 | 756,523 |
| Funds Used for: | | |
| Dividends to shareowners | 242,088 | 193,669 |
| Additions to properties | 468,977 | 333,171 |
| Increase in: Receivables | 85,653 | 219,304 |
| Inventories | 178,483 | 328,257 |
| Other items, net | 28,691 | (54,357) |
| TOTAL FUNDS USED | 1,003,892 | 1,020,044 |
| Decrease in cash and marketable securities | 347,769 | 263,521 |
| Cash and marketable securities, beginning of year | 1,585,062 | 1,540,623 |
| Cash and marketable securities, end of half-year | <u>\$1,237,293</u> | <u>\$1,277,102</u> |

The financial statements have been prepared by the company in accordance with the accounting policies stated in the 1980 Annual Report and should be read in conjunction with the Notes to Financial Statements appearing in that report. In the opinion of the company, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation have been included in the financial statements. 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. Comparative financial statements for the quarter and half-year ended June 15, 1980, are as restated to reflect the extension of the LIFO accounting method to cover substantially all inventories of the company's units outside the United States.

Lowrie G. Piercy, General Comptroller
July 22, 1981

News Snaps

■ Kodak and Universal Studios of Los Angeles have combined efforts to present a new attraction on the Universal Studios Tour—a Special Effects Stage. In three different sets, the magic of special-effects filmmaking is revealed, using stage equipment and props, projected films and slides, and special techniques. One set, for example, features computer techniques applied in space movies, and volunteers from the audience appear to experience space flight and space battles.

■ Kodak has entered the inorganic chemicals market and, for the first time, is offering to dealers a list of more than 250 of the most called-for inorganic chemicals. The quality and purity, as well as the consistency of prices of the inorganic chemicals will be the same as found in the present 4,500 organic chemicals manufactured by the company.

■ Kodak Apparatus Division has expanded its integrated-circuits manufacturing operation, including doubling the size of the clean room that produces custom-designed devices for cameras and business systems prod-

ucts manufactured by the company. According to John Sewell, Kodak vice president and division general manager, the expansion provided an opportunity to make technological improvements to a number of areas, including the photolithographic and engraving operations.

■ Three new and improved super 8 Kodak Ektachrome 160 movie films, featuring improved sharpness and finer grain, have been introduced for late-summer delivery. The films include Kodak Ektachrome 160 movie film (type A) and Kodak type G Ektachrome 160 movie film in 50-foot silent cartridges, plus Kodak Ektachrome 160 sound movie film (type A) in 50-foot sound cartridges. While Kodak continues to offer movie film products, the company will discontinue its line of Kodak XL movie cameras and Moviedeck projectors. The decision was made in response to marketing information which indicates that the equipment needs of amateur moviemakers are well served by other manufacturers.

New Dental Products from Kodak

New lines of Kodak dental products have been introduced which will help reduce radiation exposure of dental patients and staff.

Kodak Ektaspeed dental x-ray film, to be available later this year, is approximately twice as fast as Kodak ultra-speed dental x-ray film. This intraoral film can reduce x-ray exposure of dental patients and staff by as much as 50 percent and still provide images of excellent quality.

Reduction in exposure can be accomplished by reducing by 50 percent the exposure times now being used for the current Kodak ultra-speed film, or by increasing the target-to-film distance. It is also possible to cut radiation exposure by halving the milliamperage on some x-ray generating equipment now in use.

Orthodontists and their patients also will benefit from Kodak technology, as the company has introduced a "rare earth," high-

speed, x-ray film/screen combination and a single-solution developer.

The fast screen/film combination, previously available in the medical field, is intended for use in cephalometric radiography. The new combination for orthodontists consists of Kodak Lanex regular screens and Kodak ortho L film.

The new screens utilize phosphors which are more efficient in converting x-ray energy into light. This results in a significant increase in radiographic speed when the screen is used to expose an ortho-sensitive film such as ortho L film.

The new Lanex regular screen and ortho L film combination reduces exposure from one-fourth to one-half that required using current calcium-tungstate screens with conventional blue-sensitive films. Image sharpness is similar to current screen/film combinations.

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A mechanical engineer at Kodak Park examines the cutting edge of an experimental film slitter. Kodak designs and manufactures its own high-speed slitters to cut huge rolls of film into the various sizes used by amateur and professional photographers.

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