



Kodak Highlights

Third Quarter 1981

In this issue:

- Kodak and Electronics
- Third Quarter Financial Results
- Berkey Settlement
- Atex Merger



Contents

- 3 Chandler Discusses Kodak,
Electronics
 - 6 Third Quarter Sales and Earnings
 - 12 Agreement in Berkey Case
 - 13 News Snaps
 - 14 Merger with Atex
 - 15 Management Changes
 - 15 New Consumer Publications
-

On the Cover

This action rodeo scene was one of 12 black-and-white photographs in the portfolio with which 17-year-old Monte Paulsen of Anchorage, Alaska, won the top \$2,000 scholarship grant in the 1981 Scholastic/Kodak Photo Awards competition. The annual contest helps to promote interest among high school seniors in photography and darkroom skills.

Kodak, Ektachem, Ektachrome, Ektaflex, Ektaprint, Kodacolor, Konistar, and SP2000 are trademarks.

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

November, 1981/Volume 34/No. 4

© Eastman Kodak Company, 1981

Chandler Discusses Kodak's Capabilities, Future in Electronics

Eastman Kodak Company has "the technologies and capabilities to build an all-electronic camera," Kodak president Colby H. Chandler told financial analysts in an October 28 address in Minneapolis.

However, Kodak has not seen a need to package its technologies into a filmless camera, he said, because it is not clear that such a camera could offer benefits that would be equal to those available from traditional products.

Whether or not Kodak eventually builds an all-electronic camera, he said, "depends upon an assessment of its place in the amateur market."

At the same time, Chandler commented on future improvements in traditional still photography.

"We will offer significantly improved products that enable consumers to take more pictures in more situations," he said. "We will make decision-free photography available to a degree that it has never been available before. We will apply lens technology, expertise in electronics and systems capabilities to produce new products that help us stimulate growth in photography and maintain the leadership position we have traditionally enjoyed with people who want to picture their world."

Chandler assured the analysts that teams at the Kodak Research Laboratories are investigating the potential of electronics and that their accomplishments have been significant. "But their fundamental challenge remains to match the performance, quality, and costs of today's conventional imaging systems," he said.

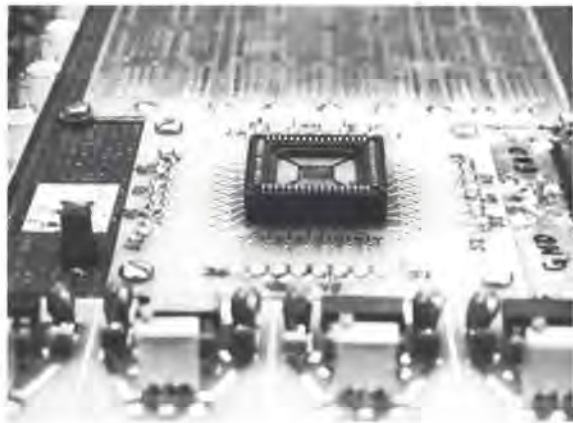
This formidable task is made all the more difficult because Kodak continues to make significant advances in silver halide technology. "The challenge and the goal of electronic imaging," he said, "is to hit a moving target."

Kodak's commitment to research remains substantial, Chandler said. "We continue to spend more than two million dollars each working day to develop, refine, and commercialize technology that provides ingenious and profitable solutions to market

needs," he said.

Chandler also pointed to Kodak's overall capital expansion program—an investment of about \$1.2 billion in 1981, alone—which will lead to improved productivity, increased capability, and operating efficiency. And he cited the company's sales and earnings record.

"In the past 15 years," he said, "sales have grown from \$1.8 billion to just under \$10 billion. Net earnings and net assets have quadrupled; dividends and retained earnings have more than tripled.



"1981 continues our upward trend. For the first three quarters of this year, worldwide sales by all Kodak units increased to \$7.26 billion, up 10 percent. Operating earnings were \$1.46 billion, up 17 percent. Net earnings reached \$867.6 million, an increase of 16 percent."

Chandler pointed out that, as a company, Kodak is not immune to what is going on in the national economy as the country attempts to gradually recover from "stagflation." However, he expressed confidence that Kodak can effectively compete in what can best be called a "transitional economy."

"Most economists agree that 1982 will be a time of 'moderate growth,'" he said, "with the real gross national product expanding by about 2½ to 3 percent and a corresponding increase in real disposable income. Economic conditions have a strong influence on Kodak

performance.

"With inflation easing at the same time as this moderate growth, the result may be a new—but cautious—optimism for both business and consumers."

Kodak's position as a multi-national company, Chandler said, is "a double-edged sword. On the one hand, it allows us to achieve economies of scale. On the other, a worldwide commitment requires a substantial investment in terms of people, raw materials, processes and finished inventory. The financial benefits of international investments and operational improvements require time to achieve. It is a continuing challenge for us to maintain acceptable margins while offering innovative products at attractive prices to consumers the world over."

The company has done well in meeting this challenge of the global marketplace, Chandler said. "Our products serve customer needs through a wide mix of technologies, including a significant and increasing contribution from electronics." Today, integrated electronic components designed and fabricated at Kodak are built into a wide variety of our cameras, copiers, and other equipment."

He listed several examples of the use of electronics in Kodak products, including:

- the Komstar microimage processor, which uses laser writing technology to convert the digital language of a computer to readable microimages on microfilm

- the Ektachem 400 blood analyzer, which contains 9 microcomputers, 46 circuit boards and 11 power supplies

- the SP2000 motion analysis system, an electronic camera with the world's highest commercially available imaging rate

- The Ektaprint copier which was the first copier-duplicator to use microprocessor control. He added that the new Ektaprint duplicators, which were alluded to at the 1981 annual meeting, are now undergoing tests at various Kodak locations. The new duplicator "is capable of new levels of productivity achieved through a combination of superior machine speed and features unavailable in the marketplace today," he said. External trade tests of the new Ektaprint duplicator are scheduled to begin in the

first half of next year, with commercial placements to follow."

As Kodak's research teams in electronics continue to attempt to match silver halide's capabilities and potential, Chandler said, their efforts clearly lead to synergistic combinations of chemical imaging and electronics which are uniquely joined to make picture-taking easier and more enjoyable.

Unquestionably, he said, "film remains the premier image-recording medium." In fact, "it is not an exaggeration that if history were inverted and electronic cameras preceded the invention of silver halide photography, the world would acclaim this new silver technology. One small piece of film would replace a sensor, signal processing electronics, and magnetic recorder. And this piece of film, when held up to the light, would provide a remarkably accurate reproduction containing all the beauty and detail of the original scene."

Chandler said that today a single 35 mm frame of Kodacolor II film has the capacity to store, in terms of bits of information, more than the maximum internal memory capacities of 100 home computers. This means film has far more than enough information to display television images of high quality.

"We have been exploring the possibility of television display of conventional still-film images," he said. He noted that he emphasized the word "possibility," because "it remains to be seen whether or when our interest in such a display device might take commercial form."

Consumers have shown a clear and increasing preference for color prints over color slides in the past decade, he said. It is in the creation of high-quality color prints where silver halide technology presents formidable challenges to electronics.

According to Chandler, project teams at Kodak and at other manufacturers today are using electronic sensors involving charge coupling and charge injection as possible alternatives to the silver-halide process.

"These sensors," he said, "and their related electronics, operate with effective daylight speeds and resolutions which are low by today's film standards." To bring these products to commercialization through invention and engineering innovation will be a costly



and time-consuming process, he said.

At present, sensor arrays which provide only TV-quality imaging cost several hundred dollars. By the end of the decade, if significant development and manufacturing developments are achieved, sensors may be available at much lower costs. But "it is not unreasonable to think that the cost of the sensor alone will be as much as the *total* manufacturing cost of a traditional camera," he said. "Indications are that the all-electronic camera will be . . . priced at the high end of the 35 mm market."

Chandler again stressed that, "in Kodak's future we foresee products and systems that will combine the best attributes of both electronic and photographic technology.

"For example, it is not difficult to imagine systems that use conventional cameras of a future day and films of much improved speed and resolution. These would feed video display devices with features of enormous appeal to consumers.

"Along with their initial print order," Chandler said, "users of such systems might receive an image-carrier that drops easily into a video player attached to a television set." The image could be displayed on the TV screen and manipulated by the consumer. And, because the original image was recorded on film, prints or enlargements could be made using the equipment and methods of tomorrow.

"Such a system is more than a dream and, on this day, not yet a commercial reality," Chandler said. "It is one concept—among many—for development and refinement in the laboratories of Eastman Kodak Company."

We have concentrated on technology, he

said, "but we know that the future of the imaging business will be determined as much by the consumer in the marketplace as it will be by the scientist in the laboratory."

Chandler reiterated the words of John Robertson, Kodak vice-president and general manager of consumer/professional and finishing markets, who recently discussed the marketplace in an interview published in *Photo Weekly*. In the interview, Robertson said: "We believe the overall impact of electronic display devices on the traditional print business is likely to be relatively small—and the overall growth of the print market will more than compensate."

Robertson cited industry statistics which show that, by very conservative measurements, the amateur color print volume will grow from a current seven billion prints per year to more than 12 billion prints per year in 1990. Even if that figure is reduced by ten percent to take into account the print business lost to those who may be satisfied with television display only, he said, the residual print business approaches 11 billion prints.

"In terms of the photofinishing business of the future," Chandler added, "the number of prints produced may be only one measure of the photofinisher's success. The photofinisher may also provide additional consumer services which could further increase profits."

This amateur market will continue to be a cornerstone of the Eastman Kodak Company, Chandler said.

"For more than 100 years, our company has combined its knowledge of consumers with its own technical prowess to develop and market imaging systems which provide maximum consumer benefits at moderate cost. That tradition will continue far into the future."

Copies of Mr. Chandler's complete remarks may be obtained by writing to Shareowner Relations, Office of Corporate Communications, 343 State Street, Rochester, New York 14650.

Third Quarter Report to Shareowners

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

In Summary

(in millions, except earnings per share)

	Third Quarter			First Three Quarters		
	1981	1980	Change	1981	1980	Change
Sales	\$2,542.1	\$2,358.9	+ 8%	\$7,264.8	\$6,626.6	+10%
Earnings from Operations	567.1	535.6	+ 6	1,463.4	1,247.7	+17
Earnings before Income Taxes	594.5	534.1	+11	1,543.6	1,293.8	+19
Net Earnings	334.0	316.1	+ 6	867.6	748.8	+16
Per Share	\$2.07	\$1.96		\$5.38	\$4.64	

Sales Advance. Sales in the third quarter and three quarters were above a year ago primarily as the result of increased unit volume.

Sales by Segment
(in millions)

	Third Quarter			First Three Quarters		
	1981	1980	Change	1981	1980	Change
U.S. & Canadian Photographic	\$1,423.3	\$1,267.4	+12%	\$3,966.9	\$3,562.7	+11%
International Photographic	866.2	927.6	- 7	2,608.9	2,570.7	+ 1
Deduct: Interdivisional Sales	(245.1)	(225.7)		(760.9)	(735.2)	
Photographic Segment	2,044.4	1,969.3	+ 4	5,814.9	5,398.2	+ 8
Chemicals Segment	557.4	441.4	+26	1,631.5	1,390.2	+17
Deduct: Intersegment Sales	(59.7)	(51.8)		(181.6)	(161.8)	
Total Worldwide	\$2,542.1	\$2,358.9	+ 8%	\$7,264.8	\$6,626.6	+10%

In the U.S. & Canadian Photographic Division, excellent sales increases were recorded in the third quarter for Business Systems products on the strength of higher copier revenues. Higher sales were also experienced for Consumer/Professional and Finishing, Graphics, and Health Sciences products. Sales for Motion Picture and Audio Visual products were slightly below a year ago. In the International Photographic Division, sales increases were reported by the Latin American and Asian, African, and Australasian Regions, while sales declined in the European Region reflecting the adverse effect of foreign exchange rate movements. Unit volume gains were reported by all three regions. For three quarters, sales gains in the Photographic segment resulted from increased unit volume and higher selling prices.

For the Chemicals segment, sales gains were reported for all three major product groups, chemicals, fibers, and plastics, in both the quarter and the first three quarters. Both unit volume and higher selling prices contributed to the increases.

Earnings Higher. Earnings in the quarter and for three quarters benefitted from increased unit volume and higher selling prices. Wages, employee benefits, research and development expenditures, and certain other costs of operations were higher in the quarter and year-to-date.

Costs and Expenses
(in millions)

	Third Quarter			First Three Quarters		
	1981	1980	Change	1981	1980	Change
Cost of goods sold	\$1,527.8	\$1,405.8	+ 9%	\$4,467.7	\$4,182.6	+ 7%
Percent of Sales	60.1%	59.6%		61.5%	63.1%	
Sales, advertising, distribution and administrative expenses	\$447.3	\$417.5	+ 7%	\$1,333.8	\$1,196.7	+11%
Percent of Sales	17.6%	17.7%		18.4%	18.1%	

Cost of goods sold included research and development expenditures of \$141.8 million in the third quarter compared with \$116.7 million last year. For the first three quarters, these expenditures amounted to \$419.0 million, compared with \$350.0 million in the same period of 1980.

Earnings from Operations	Third Quarter			First Three Quarters		
	1981	1980	Change	1981	1980	Change
Amount (in millions)	\$567.1	\$535.6	+ 6%	\$1,463.4	\$1,247.3	+17%
Percent of Sales	22.3%	22.7%		20.1%	18.8%	

Interest income increased in the quarter and for three quarters primarily as the result of higher yields. Interest expense was greater primarily due to higher interest rates incurred by overseas companies. The after tax loss on exchange transactions and the net effect of the translation of monetary assets and liabilities resulted in a gain of \$19.5 million in the quarter compared with a loss of \$6.6 million a year ago. For three quarters, the gain amounted to \$38.8 million compared with a loss of \$8.6 million in 1980. Other income and charges included realized and unrealized losses on equity securities of \$0.6 million in the third quarter compared with a \$6.5 million loss in the third quarter a year ago. For three quarters, the loss amounted to \$8.2 million compared with a \$4.7 million loss a year ago. The provision for income taxes for the third quarter was \$260.5 million compared with \$218.0 million a year ago. For three quarters, the provision totaled \$676.0 million compared with \$545.0 million in 1980.

Net Earnings	Third Quarter			First Three Quarters		
	1981	1980	Change	1981	1980	Change
Amount (in millions)	\$334.0	\$316.1	+ 6%	\$867.6	\$748.8	+16%
Percent of Sales	13.1%	13.4%		11.9%	11.3%	

Dividends to Shareowners. During the third 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 \$363.1 million, up 15% from the \$314.7 million declared during the same period a year ago.

Financial Position. Cash and marketable securities were \$1,243.4 million at the end of the third quarter, compared with \$1,585.1 million at year-end. Receivables were \$1,824.7 million, up 9 percent from \$1,678.0 million at year-end. Inventories were \$1,853.2 million, up 9 percent from \$1,702.8 million at year-end. Working capital at the end of the quarter increased slightly to \$3,086.2 million from \$2,998.2 million at year-end.

Capital Expenditures (in millions)	Third Quarter		For Three Quarters	
	1981	1980	1981	1980
U.S. & Canadian Photographic	\$155.7	\$108.5	\$445.1	\$295.5
International Photographic	47.8	54.7	126.9	133.4
Total Photographic	203.5	163.2	572.0	428.9
Eastman Chemicals	77.0	41.8	177.5	109.3
Total	\$280.5	\$205.0	\$749.5	\$538.2

The provision for depreciation for the first three quarters of 1981 was \$307.5 million compared with \$265.4 million for the first three quarters of 1980.

Outlook. As for 1981 as a whole, we continue to see 1981 as a year of satisfying results for Kodak. It should be noted, however, that comparisons in the final quarter will be made against an unusually strong fourth quarter of a year ago when earnings rose 37 percent.

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	

Third Quarter (12 Weeks) Ended		Three Quarters (36 Weeks) Ended	
Sept. 6, 1981	Sept. 7, 1980	Sept. 6, 1981	Sept. 7, 1980
(in thousands, except earnings per share)			
\$1,448,983	\$1,220,609	\$4,026,619	\$3,461,288
<u>1,093,107</u>	<u>1,138,269</u>	<u>3,238,198</u>	<u>3,165,331</u>
<u>2,542,090</u>	<u>2,358,878</u>	<u>7,264,817</u>	<u>6,626,619</u>
1,527,723	1,405,844	4,467,666	4,182,608
<u>447,286</u>	<u>417,492</u>	<u>1,333,796</u>	<u>1,196,739</u>
<u>1,975,009</u>	<u>1,823,336</u>	<u>5,801,462</u>	<u>5,379,347</u>
567,081	535,542	1,463,355	1,247,272
34,994	24,316	116,836	86,998
16,940	13,354	44,267	31,922
<u>9,381</u>	<u>(12,362)</u>	<u>7,699</u>	<u>(8,543)</u>
594,516	534,142	1,543,623	1,293,805
<u>260,500</u>	<u>218,000</u>	<u>676,000</u>	<u>545,000</u>
<u>\$ 334,016</u>	<u>\$ 316,142</u>	<u>\$ 867,623</u>	<u>\$ 748,805</u>
		161,392	161,389
\$2.07	\$1.96	\$5.38	\$4.64
\$.75	\$.75	\$2.25	\$1.95
\$5,645,804	\$4,956,144	\$5,354,285	\$4,717,150
<u>334,016</u>	<u>316,142</u>	<u>867,623</u>	<u>748,805</u>
5,979,820	5,272,286	6,221,908	5,465,955
<u>121,047</u>	<u>121,040</u>	<u>363,135</u>	<u>314,709</u>
<u>\$5,858,773</u>	<u>\$5,151,246</u>	<u>\$5,858,773</u>	<u>\$5,151,246</u>
\$ 995,986	\$1,049,149	\$2,975,608	\$2,919,257
110,360	112,154	302,368	334,695
<u>40,402</u>	<u>67,834</u>	<u>119,351</u>	<u>187,271</u>

Consolidated Balance Sheet

Eastman Kodak Company and Subsidiary Companies

Assets	Sept. 6, 1981	Dec. 28, 1980	Sept. 7, 1980
Current Assets		(in thousands)	
Cash	\$ 97,097	\$ 147,214	\$ 100,277
Marketable securities	1,146,346	1,437,848	1,156,180
Receivables	1,824,700	1,677,975	1,782,680
Inventories	1,853,249	1,702,806	1,752,441
Deferred income tax charges	181,170	229,528	205,699
Prepaid charges applicable to future operations	88,468	50,232	48,050
Total current assets	<u>5,191,030</u>	<u>5,245,603</u>	<u>5,045,327</u>
Properties			
Land, buildings, machinery, and equipment at cost	7,565,746	6,860,811	6,539,094
Less: Accumulated depreciation	3,699,470	3,426,113	3,320,017
Net properties	<u>3,866,276</u>	<u>3,434,698</u>	<u>3,219,077</u>
Other Assets			
Unamortized excess cost of investments in consolidated subsidiaries over net assets acquired	4,100	5,198	5,748
Long-term receivables and other noncurrent assets	78,959	68,492	67,809
TOTAL ASSETS	<u>\$9,140,365</u>	<u>\$8,753,991</u>	<u>\$8,337,961</u>
Liabilities and Shareowners' Equity			
Current Liabilities			
Payables	\$1,535,667	\$1,563,887	\$1,419,912
Taxes—income and other	448,151	481,803	488,917
Dividends payable	121,047	201,736	121,040
Total current liabilities	<u>2,104,865</u>	<u>2,247,426</u>	<u>2,029,869</u>
Other Liabilities and Deferred Credits			
4½% convertible debentures—due 1988	66,036	66,056	66,056
Other long-term liabilities	127,627	141,824	167,350
Deferred income taxes	309,161	270,879	249,919
Total liabilities and deferred credits	<u>2,607,689</u>	<u>2,726,185</u>	<u>2,513,194</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	5,858,773	5,354,285	5,151,246
Total shareowners' equity	<u>6,532,676</u>	<u>6,027,806</u>	<u>5,824,767</u>
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	<u>\$9,140,365</u>	<u>\$8,753,991</u>	<u>\$8,337,961</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

	Three Quarters (36 Weeks) Ended	
	Sept. 6, 1981	Sept. 7, 1980
	(in thousands)	
Funds Provided by:		
Net earnings	\$ 867,623	\$ 748,805
Charges to earnings not requiring cash outlay:		
Depreciation	307,496	265,364
Retirement of properties, net	10,466	13,821
Provision for deferred income taxes, net	83,162	(77,816)
Amortization of excess cost of investments in subsidiaries	1,098	1,212
Total from earnings	<u>1,269,845</u>	<u>951,386</u>
Increase (decrease) in current liabilities	<u>(142,561)</u>	<u>288,882</u>
TOTAL FUNDS PROVIDED	<u>1,127,284</u>	<u>1,240,268</u>
 Funds Used for:		
Dividends to shareowners	363,135	314,709
Additions to properties	749,540	538,222
Increase in: Receivables	146,725	396,579
Inventories	150,443	312,973
Other items, net	59,060	(38,049)
TOTAL FUNDS USED	<u>1,468,903</u>	<u>1,524,434</u>
Decrease in cash and marketable securities	<u>341,619</u>	<u>284,166</u>
Cash and marketable securities, beginning of year	<u>1,585,062</u>	<u>1,540,623</u>
Cash and marketable securities, end of quarter	<u><u>\$1,243,443</u></u>	<u><u>\$1,256,457</u></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. Comparative financial statements for the quarter and year-to-date ended September 7, 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.

On September 23, 1981, subsequent to the close of the company's third quarter, the U.S. District Court of the Southern District of New York approved a final settlement of the antitrust claims brought by Berkey Photo, Inc. in January, 1973, against the Company. The settlement consists of a cash payment to Berkey in the amount of \$4.75 million and a \$2 million credit to be applied toward the purchase of company products. All other claims by Berkey were dismissed without payment.

On October 7, 1981, the U.S. Department of Justice advised the company that it had closed the investigation under the Sherman Act with respect to which the Department had issued its Civil Investigative Demand of March 25, 1977.

Lowrie G. Piercy, General Comptroller
October 14, 1981

Kodak, Berkey Reach Settlement Agreement

After eight years of litigation, the antitrust case filed by Berkey Photo against Kodak has been resolved by agreement. The case began in January 1973, when Berkey filed suit and sought damages of some \$300 million.

In legal and media circles, the Berkey case drew much attention. It was considered precedent-setting, in that it challenged the right of a manufacturer such as Kodak to introduce new and improved products without predisclosing details to competitors. Now, that right has been established in court.

All claims in the litigation have been dismissed under the terms of a settlement agreement approved by U.S. District Court Judge Vincent L. Broderick. Berkey received \$4.75 million and a merchandise credit amounting to \$2 million, to be applied to the purchase of Kodak products.

The amount Berkey will receive is considerably less than their outside legal expenses, which were recorded at more than \$7.1 million as early as 1978. In addition, the settlement obviates the need to undertake the very substantial expense of a retrial and probable subsequent appeals.

The settlement agreement covers camera flash claims brought by Berkey under Section 1 of the Sherman Act. All other claims by Berkey, including claims under Section 2 of the Sherman Act, were dismissed without payment.

Questions, Answers on Berkey Case

Kodak general counsel Ken Cole has supplied the answers to a number of questions concerning the settlement of the Berkey case. Here are the questions and his answers:

Q. How would you characterize this settlement?

A. As a reasonable solution, and one that will relieve both the company and the courts of considerable burden.

Q. In your opinion, what is the most important aspect of the outcome of the Berkey case?

A. Our freedom to innovate has been

upheld. We have established in court our right to design, manufacture, and market photographic systems which meet the needs and wants of our customers, and to do so without predisclosing the directions and details of Kodak research and development.

Q. Could you put the amount of the settlement in better perspective for us?

A. Surely. Remember, first, that in 1978 the jury awarded Berkey damages, after trebling, of nearly \$113 million. The trial judge eliminated \$31.5 million of that amount but awarded Berkey \$5.5 million in attorneys' fees, making a total of \$87 million. On our appeal, the Second Circuit affirmed \$1 million of Berkey's judgment, dismissed camera claims totaling nearly \$46 million, but sent back for a new trial issues including camera flash claims and alleged color film and paper claims on which the trebled jury verdict exceeded \$65 million. All of these claims have now been settled or dismissed.

One other aspect of the settlement worth noting is that, as of July 1978, Berkey's legal expenses had already exceeded \$7.1 million.

Q. What is the real cost to Kodak, bottom line?

A. The amount of the settlement will be treated as a tax-deductible business expense, so the total effect on our bottom line will be \$3.45 million, or about two cents per share. You may recall that the \$990,000 award affirmed by the Court of Appeals in 1979 was charged against earnings in that year. In the interim, interest has been accruing on that amount, and it now totals \$1,165,000. This means the balance of the settlement amount . . . \$5,585,000 . . . will be charged to 1981 earnings. This translates to an after-tax impact to 1981 net earnings of \$2,850,000.

Q. Then the \$990,000 award concerning joint development of magicube and flipflash and affirmed by the Court of Appeals is included in the settlement?

A. Yes. That award is included in the total, and the claims upon which it was based have been dismissed.

Q. How will the merchandise credit be calculated?

A. On the basis of current Kodak prices to dealers and will be applied to all already-existing receivables balances.

Q. Will normal discounts and other terms apply?

A. Yes.

Q. A number of photofinisher customers agreed not to file similar antitrust actions against Kodak until the Berkey litigation was resolved, if the statute of limitations was suspended. What happens now?

A. Kodak has notified the 22 photofinishers

who signed such agreements of the final settlement of the Berkey case. The photofinishers have 90 days after receipt of notice to consider the matter. If, after 90 days, they do nothing, the statute of limitations will have run out. I would mention again that although the settlement with Berkey relates to the camera flash claims, all the claims in the case are dismissed.

Q. Can the other parties to those agreements now file suit against us?

A. They could, under the terms of our agreement with them. However, the Berkey settlement does not include any provision which would suggest support for a claim against Kodak.

News Snaps

■ Kodak's Business Systems Markets Division has been judged a winner in the 1981 Advertising to Business and Industry Awards Competition, sponsored by the American Business Press, Inc. Kodak won with its campaign for Ektaprint copier-duplicators. The advertisements themselves (sample at right) include cartoon situations depicting copier users in common dilemmas. The text explains how the Ektaprint copier removes these problems. The cartoons are by Charles Saxon, known for his work in the *New Yorker*.

■ The Justice Department has terminated its investigation of Eastman Kodak Company under the Sherman Act. The government had issued a Civil Investigation Demand in 1977 requiring Kodak to produce documents relating to the company's activities in the photographic industry. After four years of investigation, the department notified Kodak that the file had been closed.

Kodak chairman and chief executive officer Walter A. Fallon said, "This is a gratifying development. It reaffirms our belief that Kodak's conduct has been entirely proper."



"And now a special award to Harvey Frohisher, who singlehandedly unjammed the copier eight times this week."

Sure, copiers jam. But the question is, how often? And how seriously? If it happens a lot, takes a long time to correct, and gets people's hands dirty, there may be something lacking in the basic design: Kodak copiers, people say, are uncommonly easy to live with. Because they're so well designed. A straight-line paper path minimizes the chance of a jam. And makes it easy to clear quickly and cleanly, when it does happen.

May we demonstrate?

Write: Eastman Kodak Company, CD0000, Rochester, N.Y. 14650

Kodak copiers. A jam is easy to fix, but you seldom have to.



© 1981 EASTMAN KODAK COMPANY

Atex, Inc., Merges with Kodak

Atex, Inc., a privately owned manufacturer of computer-based publishing systems, has been merged into a wholly owned subsidiary of Kodak.

Atex designs and produces systems used in the preparation and processing of text for newspapers, magazines, and other publications. The company's headquarters are in Bedford, Mass.

Proprietary software developed by Atex permits newspaper reporters, for example, to enter sophisticated commands into a computer-driven system without the need for extensive training in computer language. Input is made via a keyboard into a video display terminal (VDT), and editing can be done on one of any number of VDTs connected to the system. All versions of a story may be stored for reference during the editing process; then, copy fitting and layout can be accomplished rapidly and accurately through phototypesetting methods.

Because Atex systems are designed as modules, customers may expand the capabilities of their systems by adding new modules rather than by replacing their systems.

Walter A. Fallon, Kodak chairman and chief executive officer, said that "the merger with Atex will provide a logical extension of technology and expertise in our service to the graphic markets to which we have a long-term commitment." He added that "we are confident that the merging of the technological resources of the two companies will lead to exciting new products in the service of customers and, as well, in the service of Kodak shareowners."

Founded in 1973, Atex employs about 750 people. The company recorded sales of approximately \$50 million during the 1980 fiscal year. The merger involved the exchange of about 1.1 million unissued Kodak common shares for the outstanding shares held by Atex shareowners. Atex will continue its current operations as a wholly owned subsidiary of Kodak.

Fallon noted that market acceptance of Atex systems has been extremely positive ever since delivery in 1974 of the first installation to the news magazine *U.S. News*

and *World Report*. Since that time, Atex systems have been sold to many large magazines, newspaper, governmental, and in-plant publishers.

Douglas Drane, president of Atex, said that "we are very pleased to be associated with a business enterprise of the high quality of Kodak. This affiliation will supply valuable financial and technical support to Atex in our efforts to provide superior products for the publishing industry."



Atex, Inc., designs and manufactures computer-based systems used to prepare and process text for publications.

Two New Movie Films

Kodak has introduced a high quality motion picture film which can be used under a wide variety of lighting conditions.

Eastman color high-speed negative film 5293/7293 is two and a half times more sensitive than its predecessor, which means it can often be used to shoot fast action sequences without the need for elaborate lighting and other equipment. This makes filming a more portable and versatile operation for motion picture and television crews.

Early in the fall—in time for the football season—Kodak introduced a high-speed color reversal film. Eastman Ektachrome high-speed daylight film 7251 is particularly useful for filming outdoor sports events or making films for motion analysis studies.

Management Changes

Dr. Harry W. Coover was elected a vice president of the Eastman Kodak Company at the August meeting of the Board of Directors. Dr. Coover had been executive vice president, development, Tennessee Eastman Company. It also was announced that the research and development function would be transferred from TEC to the Eastman Chemicals Division under Dr. Coover's direction.



After earning a bachelor's degree at Hobart College and advanced degrees in chemistry at Cornell University, Dr. Coover joined Kodak as a research chemist in 1944. He was transferred to the TEC Research Laboratories in 1949 as a senior research chemist, and he became a research associate in 1954. He was appointed a division head in charge of polymers research in 1963, and in 1965 he became director of the Laboratories. Dr. Coover was named a TEC vice president in 1970 and a TEC executive vice president in 1973.

New Kodak Publications Available

When you have published a best-seller, what do you do next?

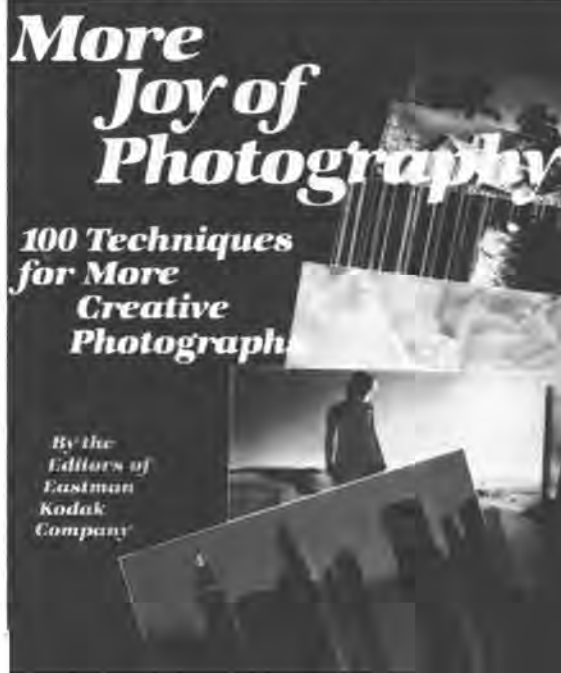
Publish a sequel, of course. And that's just what Kodak has done this fall, following the highly popular *Joy of Photography* with the new book *More Joy of Photography*.

Joy of Photography, published in 1979, sold over half a million copies in 12 months, made *The New York Times* best-seller list for 13 weeks, and is now being translated into a dozen languages. *More Joy* may do even better, because it builds upon its predecessor, offering more ideas and more techniques, including 100 specific ideas for creative photography. *More Joy* is beautifully illustrated with nearly 500 photos, most in color, and it is written in the clear, precise style that helped make *Joy of Photography* such a hit. It's at bookstores and photo dealers' now, with cover prices of \$24.95 (hardcover) and \$12.95 (paperback).

Other publications from Kodak this fall include:

The *Kodak Desk Calendar-1982*. This handsome publication has a leather-like hardcover with spiral binding and gold-leaf lettering. Inside are 58 outstanding color photos of internationally famous scenes. There's a page for each week of 1982, plus a personal data section, a directory of Kodak films and services, lists of noteworthy picture-taking events, and more. Cover price, \$9.95. Available at photo dealers'.

The *Kodak Workshop Series*. This is the new generation of Kodak self-teaching publications for the new generation of amateur photo hobbyists. Each of the six paperback books is 8½ by 11 inches, with 96 pages and beautiful illustrations. And each deals with a single subject: *Electronic Flash*, *Using Filters*, *Color Printing Techniques*, *Building a Home Darkroom*, *Black-and-White Darkroom Techniques*, and *Photographing with Automatic Cameras*. Cover price, \$8.95 each. At photo dealers'.



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

Bulk Rate
U.S. Postage Paid
Eastman Kodak Company



A technician checks the quality of photographic paper as she peels away film while testing a home darkroom product at Kodak Park Division, Rochester, New York. The testing device plots a curve that indicates to the technician whether the paper meets the color reproduction standards of the Ektaflex printmaker.

CC5-81N