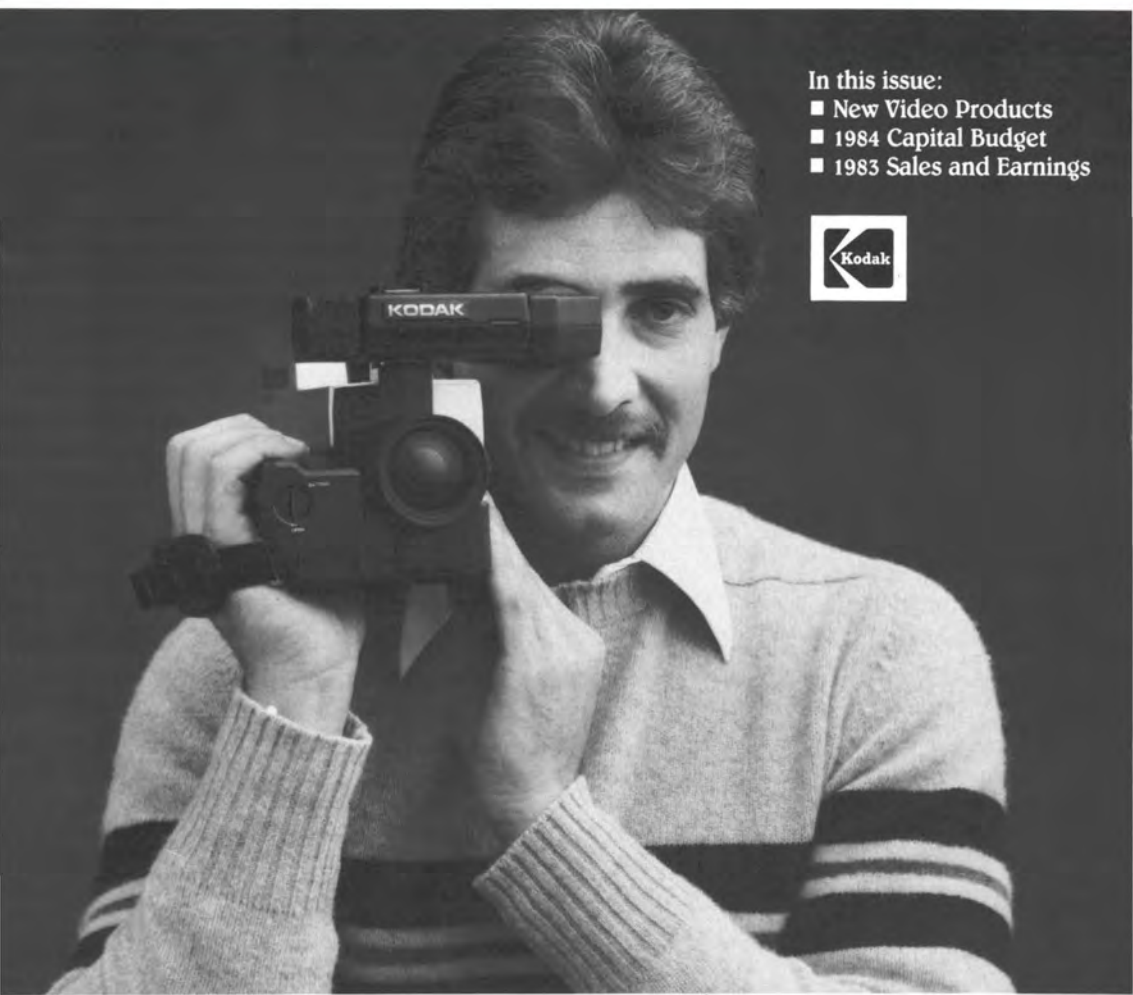


In this issue:

- New Video Products
- 1984 Capital Budget
- 1983 Sales and Earnings



Contents

- 3 New Kodak video products
 - 7 Research director's outlook
 - 8 News briefs
 - 10 1983 sales and earnings
 - 13 Capital budget for 1984
 - 14 KINSA photographs
-

On the cover

Kodak has announced its entry into the worldwide video market, with an 8 mm video camera-recorder and a complete line of Kodak and Eastman video cassettes and tapes. See story, p. 3.

Kodak, Eastman, Ektachem, Instagraphic, Isomax, Kodacolor, Kodavision, and VR are trademarks.

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

February 1984/Volume 27/No. 1

© Eastman Kodak Company, 1984



Electronic home movies become more convenient with Kodak's new video cassette camcorder, a compact, five-pound unit which is portable and easy to use.

Kodak enters worldwide video market with new tape products, 8 mm system

Kodak, extending its reach in imaging to the worldwide video market, has announced plans to market an entirely new 8 mm video camera-recorder (camcorder) system and more than 50 configurations of Kodak and Eastman video cassettes and tape for home entertainment and professional uses.

The products will be manufactured to Kodak specifications in Japan. TDK will supply the video tape and Matsushita the equipment. Both suppliers are widely known for the high quality of their products. Kodak will monitor that quality by inspecting these products at company facilities.

"Our new Kodavision series 2000 video system marks the beginning of a new level of convenience in home video recording," said

Wilbur J. Prezzano, group vice-president and general manager of worldwide marketing.

"The one-piece Kodavision camcorders are highly portable, Prezzano said. "When compared with current camera and recorder hookups, their advantages become clear."

Current ½-inch, two-piece systems usually require the user to shoulder a camera that's wired to a separate recorder unit carried at waist level. The entire outfit may weigh ten pounds or more. But the smaller 8 mm Kodak video cassette (only slightly larger than an audio tape cassette) yields considerable advantages. It makes it possible to design a five-pound, cordless model with point-and-shoot convenience.

"The system is not only easy to work with,"



Wilbur J. Prezzano, group vice-president and general manager of worldwide marketing for Kodak, describes the Kodavision video system as a "major advance in home video imaging. . ."

Prezzano noted, "but picture quality generated by our new 8 mm system is superb. Recording video images is now nearly as easy as taking a picture, and the results can be displayed immediately."

In a related announcement, the company said that it plans to expand its manufacturing of magnetic media. "The revenues and the experience we will gain from marketing video products will serve us well," Prezzano said. "In time, we will be manufacturing and marketing electronic products now in the planning stage in various areas of our business. They will result from our innovation and will serve conspicuous customer needs. Their design will derive from the extensive technology available to us, from outside—and especially from within—the company."

"Kodak and Eastman video products illustrate a purposeful corporate strategy," said Prezzano. "Kodak will use its marketing strengths—brand image, distribution, communication and technical support—to add value

to products that meet the imaging needs of customers. They will bring an attractive return to the company and allow us to enter this market soon as a leader with this new format. They will let us establish Kodak as a reliable source of supply."

Prezzano noted that the video products may be categorized in three distinct lines. "The 8 mm Kodavision series 2000 video system is another example of Kodak's introducing the right product at the right time," he said. "Likewise, our 1/2-inch Kodak video cassette is aimed at a consumer video cassette recorder (VCR) market now growing by more than 33 percent each year in the U.S. Household penetration of VCRs is about 10 percent in the U.S. and is expected to grow at rates we find attractive, and penetration is approaching 20 percent in some European countries. We are entering a market which is poised to expand rapidly.

"Eastman professional video tape and Eastman motion picture film products are



The Kodavision series 2000 video camcorder (left) may be placed within a special cradle (right) to create a video system playback unit. The camcorder's list price at introduction was \$1,599.

perfect complements. Imaging professionals served by our Motion Picture and Audiovisual Markets Division will be able to get the full range of products—and the technical assistance—they need from Kodak.”

The new Kodavision series 2000 video system includes two 8 mm video camera-recorders: the Kodavision series 2000 camcorder, model 2200; and the autofocus camcorder, model 2400. The camcorders will accept 8 mm Kodak video cassettes.

The camcorders weigh about 5 pounds each and are easy to carry and use. They share several common features. These include a fast f/1.2, 6:1 power zoom lens, a 1/8-inch Newvicon tube, automatic exposure control, and a fully automatic white balance that adjusts the camera to shifts in color temperature. The cameras also feature a fast-forward and fast-reverse, and an electronic viewfinder (actually a miniature black-and-white television screen). A review feature lets the user replay the last four seconds of the most recent recording.

Both camcorders accept cassettes of either MP (metal particle) tape or a higher grade ME (metal evaporated) tape. They can record for up to 90 minutes, and Kodak anticipates that advances in high-density tape technology will result in 8 mm cassettes with even longer playing times.

The model 2200 features manual focus, two recording/playback heads, and still-frame capability.

The model 2400 features an auto-focus lens (with manual override), three heads, still-frame and frame-advance capability, and a provision to “write” the date on tape as it’s being recorded. It also includes push-button fade-in/out control and backlight control.

The system’s compact playback component, the Kodavision series 2000 cradle, model 2020, allows users to play back recorded tapes when the camcorder is placed within it.

The cradle, developed by engineers and designers from Kodak and the manufacturer, is connected to the user’s television. To play a tape, the user inserts the camcorder into the cradle. The camera’s motor drives the tape. Circuitry within the cradle converts the signals recorded on the tape for television display.

The camcorder’s battery is recharged while the camera is in the cradle. The cradle can also recharge a separate battery to extend the time the camcorder can be used.

The cradle is designed to include an optional Kodavision series 2000 tuner/timer, model 2022, a device that allows users to record television broadcasts. The cradle is designed to be compatible with existing

1/2-inch VCRs to facilitate dubbing 8 mm images onto 1/2-inch tape and vice versa. The cable-ready tuner/timer has 105-channel capability and offers 12 preset channel positions. It can be programmed to tape up to two programs over any two-week period. With one-touch recording, it has the potential for recording as long as 120 minutes.

Most cradle functions can be controlled by Kodavision series 2000 remote control, model 2024, packaged with each cradle.

Kodavision products are scheduled to be shipped to dealers in the U.S. and Canada this summer. Plans call for introducing these products in more than 40 countries later in the year.

Kodak video cassettes for the home entertainment market will be sold in 1/2-inch width in both Beta and VHS formats, in various popular lengths, in regular and extra-high grades.

Kodak video cassettes will be marketed by Kodak's consumer product sales organization to photographic outlets around the country. In addition, Kodak will be offering the products to retailers new to Kodak, such as video specialty shops, TV appliance outlets, and other outlets where video tape is commonly marketed.

Because many VCRs can extend the play of a "two-hour" tape to four or six hours, Kodak expects its VHS T-120 and Beta L-750 cassettes to be the most popular.

Kodak 1/2-inch video cassettes are scheduled to be shipped to U.S. and Canadian dealers in March.

Eastman 1/2-inch professional video cassettes are scheduled to be available in April in all popular formats and lengths, in professional and broadcast-quality versions. Eastman 3/4-inch cassettes (in both professional and broadcast quality grades) are to be available at the same time. Eastman 1-inch broadcast-quality tape is to become available later this year. Prices will be announced later in the year.

Eastman professional video tape products will be marketed by the company's Motion Picture and Audiovisual Markets Division, which has long served the broadcast, news, and entertainment industries.



Kodak video cassettes for the home entertainment market will be sold in 1/2-inch width, in both Beta and VHS formats, in various popular lengths, and in regular and high grades.



Eastman professional- and broadcast-quality tapes represent an extension of Kodak's commitment to providing the entertainment industry with high-quality imaging materials.

Innovation and Vision Will Merge Photographic and Electronic Imaging

The convergence of two rapidly advancing sciences—photography and electronics—soon will open new avenues of communication through images for business, government, science, medicine, and an array of other fields, according to Dr. L. J. Thomas, senior vice-president and director of the Kodak Research Laboratories.

Thomas made the prediction in a presentation before the Town Hall of California.

He spoke of the dramatic advances in technological innovation in imaging over the years, offering as examples:

—It took Gutenberg five years to set the Bible in type. Today, the same amount of information can be transmitted via light through optical fibers in less than one second.

—Eight years ago, radiographs required twice as much x-ray exposure as those of today—which are equivalent to less than a month of exposure received from walking around in the open air.

—Advances in optics and photographic emulsion technology will combine in a project that involves Kodak, California Institute of Technology, and the National Geographic Society. The objective is to update the map of the skies in the northern hemisphere. Solid-state microelectronic chips in powerful telescopes will be so sensitive to light that they will record events that occurred more than a billion years ago.

"Future imaging technologies will be much advanced," he said, "not only in the amount of clarity conveyed, but in the ability of photography and electronic images to interact with one another. We see the information-recording capability of film advancing to at least ten times its current capability.

"It is this enormous recording capability that makes it possible to blow up movies to larger-than-life proportions, creating a unique entertainment experience," Thomas said. "It is also a reason why film is the ideal medium for origination in high-definition television systems."

Thomas spoke of a future day when images recorded on motion-picture film will be



scanned electronically and placed on storage media such as magnetic or optical disks for editing and special effects manipulation. The images could then be transferred back to film for distribution and display on theatre-size screens.

In addition to the motion picture industry, a number of other fields will benefit from this growing interactive capability, he said.

Computer-scan technology will enable information managers in business, industry, and government to take the information from a frame of film, convert it to an electronic bit stream, and transmit it to remote locations for display and manipulation. The medical profession, too, will take advantage of this capability to transmit diagnostic images for referral or expert opinion.

"Scanning techniques are also being developed which will take poorly exposed images, manipulate them electronically, and return sharp, clear, recognizable images impossible to create today," Thomas said. "Certain simple steps, such as recognizing the edge of an object and sharpening it are already possible. Scanning technology will be enhanced further with the development of artificial intelligence

in computers, which is being experimented with today."

By giving computers the ability to "think" much like human beings, Thomas contends machines will be able to look at an image, recognize and differentiate between the elements in the picture, and correct any inherent defects in the image.

Just how these potential capabilities become reality depends a great deal on our nation's research community. But Thomas cautioned that research alone does not lead to innovation.

"Scientific research may produce new knowledge and it may lead to invention, but each of these is only a part of the innovation process," Thomas explained. "An innovation requires application of knowledge. Creative vision also is demanded of those who carry scientific ideas into the marketplace."

Once future technologies begin to take root, they will have tremendous implications for the ways people use and enjoy images. In fact, imaging technology will be at the very heart of what is now being called the information age.

Technological change can be unsettling to some because, unlike political, economic or social change, it is irreversible. But technological change, particularly changes in imaging technology, has always been carried out in the context of human needs and aspirations.

"That's why I believe that tomorrow's imaging technology—though far advanced over today's in its applications—will still serve a fundamental urge of mankind's: to go beyond the limits of natural vision, to expand knowledge, and to help create a better world in which to live," Thomas said.

Kodak announces new modular printmaking outfit for many color computer graphics applications

A new, highly versatile outfit that enables users to make instant color prints of images displayed on four different sizes of cathode ray tubes (CRT) has been announced by Kodak.

The Kodak Instagraphic CRT print imaging outfit is a modular system that provides users with great flexibility in the documentation of still images displayed on a video or computer screen. In addition to its instant printmaking capabilities, the outfit can be used to produce conventional color slides and prints of the video image by using a 35 mm single-lens-reflex camera. (The camera is not provided with the outfit.)

The new unit, distinguished by the word "print" in its name, is a different design from the Kodak Instagraphic CRT imaging outfit introduced in June 1983. The original outfit will continue to be available.

The new print-imaging outfit is simple in design and easy to operate. To create an instant print or 35 mm print or slide, the user places the base of the unit on the CRT and pushes the camera exposure button. One or more instant prints can be made quickly and easily.

The outfit's modular design enables the user to photograph computer graphics displayed on today's four most widely used CRT sizes.

Fortune names Kodacolor VR 1000 film as a 'top product' of 1983

Kodacolor VR 1000 film has been selected by *Fortune* magazine as one of the top products in the United States during 1983. The recognition came in the magazine's December 12 issue.

The selection of Kodacolor VR 1000 film, a high-speed, 35 mm color film that offers

photographers greater freedom in taking pictures under low-light or fast-action situations, is the second such recognition for Kodak products in two years.

In 1982, disc photography, the company's new approach to amateur picture-taking, was named a top product by *Fortune*.

High-density magnetic recording diskette announced by Spin Physics

Kodak's Spin Physics organization has announced a new high-density magnetic recording diskette capable of storing up to 3.3 megabytes of unformatted data on a single 5¼-inch diskette.

The new Kodak Isomax diskette, HD 600, offers a coercivity of 600 Oersteds (Oe). The diskettes are based on proprietary isotropic technology and will be available in 5¼-inch and sub-four-inch sizes.

According to Bruce Burdick, general manager of Spin Physics, the high coercivity—which

produces greater capacity—makes the diskettes "suitable for use in the more advanced disk drives now being manufactured."

In the fourth quarter of 1983, Kodak announced plans to enter the disk drive hardware market through an agreement with Drivetec, Inc, a disk drive manufacturer in San Jose, Calif. The agreement permits Kodak to manufacture a high-performance, 5¼-inch flexible disk drive that employs a 600 Oe flexible diskette.

Kodak announces acquisitions

In separate agreements, Kodak has acquired the net assets of the Datatape Division of Bell & Howell and Mead Digital Systems (MDS), a division of Mead Corporation.

Datatape, a manufacturer of high-technology analog and digital tape recorders and associated electronics, recorded 1982 sales of approximately \$40 million and employs about 700 people. It is located in Pasadena, Calif., and will operate as a subsidiary of Kodak reporting to the U.S. Apparatus Division.

MDS, a manufacturer of ink-jet printing equipment, is located in Dayton, Ohio, and employs about 400 people. It will continue to operate in Dayton under the name Diconix, Inc., as a subsidiary of Kodak, reporting to Richard C. Kleinhans, Kodak group vice-president and general manager, manufacturing-equipment.

Voluntary departures account for most of 8-percent decrease in Kodak employment

Kodak's U.S. employment dropped eight percent in 1983, with most of the decrease due to voluntary departures under special benefits programs.

The figures show 86,000 people on the Kodak payroll in the U.S. at year-end 1983, compared with 93,300 at the close of 1982, a decline of 7,300. Worldwide employment dropped from 136,500 to 125,500.

In the Rochester, N.Y., area, employment decreased by 7,000, dropping from 60,400 at year-end 1982 to 53,400 at year-end 1983. The company hired 940 people for employment in the Rochester area in 1983, practically all of them with highly specialized skills in engineering and computer science.

Kodak Reports Lower Sales and Earnings for 1983

ROCHESTER, N.Y., Feb. 15—Eastman Kodak Company today reported lower sales and earnings for the fourth quarter and the full year 1983.

Worldwide sales of \$10.17 billion were six percent lower than the total of \$10.81 billion reported for 1982. Most of the decline was due to the inclusion in 1982 of an additional two months' sales by photographic subsidiaries outside the United States and Canada, a step taken to align more closely the reporting periods of all photographic units. On a comparable calendar-year basis, sales for 1983 were essentially level with those for 1982.

Earnings from operations for 1983 were \$1.03 billion, 45 percent below the level of \$1.86 billion reported for the prior year. Net earnings of \$565.3 million were 51 percent lower than the \$1.16 billion reported in 1982. On a per share basis, net earnings equalled \$5.41 in 1983, compared with \$7.12 reported the year before.

The stronger U.S. dollar continued to have a negative effect on earnings. If 1982 exchange rates had prevailed and all other factors had remained the same during the past year, per share earnings would have been an estimated \$.65 higher. In addition, costs incurred in the fourth quarter for retirement and separation incentives lowered earnings by some \$.35 per share. Costs associated with the Optional Retirement and Separation Program announced during the first quarter were essentially offset by the savings realized during the balance of 1983. Net earnings were also negatively affected by \$.25 per share as a result of inventory write-offs in 1983 exceeding those recorded in 1982. Earnings were also reduced by general escalation in material costs, especially silver, and increased depreciation expense.

For the 1983 fourth quarter, worldwide sales were \$2.57 billion, a decline of 15 percent from the \$3.03 billion of the 1982 fourth quarter, which included the two additional months of foreign photographic operations. Worldwide fourth quarter sales were up slightly from the comparable calendar quarter

of 1982. Earnings from operations for the quarter declined 52 percent to \$235 million, compared with \$492 million a year ago. Net earnings were \$117.4 million, or \$.70 per share, 63 percent lower than last year's fourth quarter levels of \$320.7 million and \$1.94 per share.

Fourth quarter reported results also reflect the change made during the third quarter of the year to transfer a four-week period for U.S. and Canadian photographic units and all chemical units from the fourth to the third quarter. For comparative purposes, information for 1982 is being reported on the same basis. This permanent change was made to more closely align the reporting periods of domestic and foreign units.

Colby H. Chandler, chairman and chief executive officer, and Kay R. Whitmore, president, reviewed the year with these observations: "In financial terms, 1983 was a disappointing year for Kodak, but despite the negatives, the company showed how durable and how resilient it really is. 1983 was not without positive aspects, for it was a year in which we set the course for future progress.

"Many new and innovative products were introduced, enhancing the Kodak position in world markets. We again found major successes in our bedrock business, traditional photography. Our new family of 35 mm Kodacolor VR films met with excellent response in the marketplace, as customers quickly recognized the advantages and flexibility of these high-quality products. Our recent entry into the field of consumer electronics was a major step. The organizational and functional consolidations of 1983 did much to improve our overall effectiveness.

"In short, we stand poised to generate a solid business recovery in 1984—and, with it, a sharp recovery in Kodak earnings."

Photographic Division. Sales of \$8.10 billion were nine percent below the prior year; sales inside the U.S. were \$4.79 billion, two percent above the 1982 level, while sales outside the U.S. were \$3.31 billion, a 22

percent decline from the year before. More than half of the decline in non-U.S. sales was attributable to the inclusion of the two additional months of foreign photographic sales in 1982 results and the remainder was due to the adverse impact of foreign currency values against the U.S. dollar and lower sales volumes. Bright areas for the division were sharp increases in sales of disc film, excellent sales increases for 35 mm Kodacolor films, and strong gains in revenues from copier-duplicators.

For the fourth quarter, Photographic Division sales were \$2.06 billion, a 21 percent decline from the prior year's fourth quarter, which included the two additional months. The 1983 fourth quarter sales were essentially level with the comparable calendar quarter of 1982.

Chemicals Division. A six-percent sales increase to \$2.28 billion for the year resulted from volume gains in chemicals, fibers and plastics, partially offset by lower prices for chemicals and fibers. In the fourth quarter, the division recorded sales of \$549.1 million, a 20 percent increase from the previous year.

Outlook. Chandler and Whitmore, looking ahead, noted: "As a company, we have endured four years of recession, four years of a strengthening dollar, and four years of start-up costs for programs designed to reaffirm our leadership in traditional lines of business. We believe this difficult period is largely behind us. We see 1984 as a year of increased sales and sharply higher earnings."

Consolidated Statement of Earnings

Eastman Kodak Company and Subsidiary Companies

	Fourth Quarter Ended		For the Year Ended	
	Dec. 25, 1983	Dec. 26, 1982*	Dec. 25, 1983	Dec. 26, 1982*
	(dollar amounts and shares in millions, except per share figures)			
Sales				
Sales to: Customers in the United States	\$1,683	\$1,506	\$ 6,435	\$ 6,186
Customers outside the United States	889	1,525	3,735	4,629
TOTAL SALES	<u>2,572</u>	<u>3,031</u>	<u>10,170</u>	<u>10,815</u>
Costs				
Cost of goods sold	1,763	1,917	7,051	6,830
Sales, advertising, distribution and administrative expenses	574	622	2,092	2,125
Total costs and expenses	<u>2,337</u>	<u>2,539</u>	<u>9,143</u>	<u>8,955</u>
Earnings				
EARNINGS FROM OPERATIONS	235	492	1,027	1,860
Investment income	35	30	122	117
Interest expense	29	34	117	89
Other income and (charges)	(20)	(3)	(12)	(16)
EARNINGS BEFORE INCOME TAXES	<u>221</u>	<u>485</u>	<u>1,020</u>	<u>1,872</u>
Provision for United States, foreign, and other income taxes	104	165	455	710
NET EARNINGS	<u>\$ 117</u>	<u>\$ 320</u>	<u>\$ 565</u>	<u>\$ 1,162</u>
Average number of common shares outstanding			165.6	163.2
Net earnings per share	\$.70	\$ 1.94	\$3.41	\$ 7.12

Supplemental Information:

Provision for depreciation	\$ 162	\$ 168	\$ 652	\$ 575
Research and development expenses	\$ 183	\$ 169	\$ 746	\$ 710
Companies operating outside the U.S.:				
Sales	\$ 816	\$ 1,467	\$ 3,410	\$ 4,279
Earnings (Loss) from operations	(9)	101	60	302
Net Earnings (Loss)	(42)	18	(65)	72
Exchange gains or (losses) and the effect of translation of monetary assets & liabilities	\$ 1	\$ (3)	\$ 31	\$ 14
Cash dividends declared	\$ 215	\$ 215	\$ 587	\$ 581
Per common share	\$1.30	\$ 1.30	\$3.55	\$3.55
Capital expenditures	\$ 213	\$ 364	\$ 889	\$ 1,500
Cash and marketable securities			\$ 1,562	\$ 1,018
Net current assets			\$ 3,248	\$ 3,143
Number of shareowners at close of year			200,005	203,788

*Includes an additional two months of business for photographic companies outside the U.S. and Canada in order to align more closely the reporting periods of all photographic units. The results for these two months were: Sales \$478 million; Earnings from Operations \$23 million; Net After Tax Loss \$22 million. The loss was largely due to adverse foreign currency fluctuations.

Capital budget increased 22 percent

Kodak has budgeted \$1,089 million to expand and improve its facilities in 1984, more than 22 percent above the level of actual expenditures for 1983.

Planned expenditures include \$915 million for the Photographic Division (\$663 million in the United States), and \$174 million for the Eastman Chemicals Division.

Worldwide capital expenditures for 1983 were \$889 million, with \$710 million for the Photographic Division and \$179 million for the Eastman Chemicals Division.

"This capital budget will help us to prepare for the recovery we see in Kodak's results in 1984 and beyond," said Kodak Chairman Colby H. Chandler. "Plans included in this budget will contribute significantly to our efforts to reduce costs, while providing the facilities necessary to meet future demand for new and growing product lines. Considerable attention also will be devoted to sustaining and improving product quality."

The company's headquarters and principal manufacturing location, Rochester, N.Y., will continue to receive a substantial portion of the capital spending, with \$378 million provided for projects there.

In the Photographic Division, major projects include copier-duplicators and additional tooling for their manufacture; facilities to support improved and increased toner production at Kodak Park Division; more film-finishing capacity to meet demand for new Kodacolor VR films; projects to improve overall emulsion manufacturing quality and to extend the technology which led to T-grain emulsions; an improved inventory control system at the U.S. Apparatus Division; expenditures in support of increasing production of Kodak Ektachem slides for clinical chemistry; upgrading Kodak Processing Lab capabilities; and new office and warehouse facilities in various overseas locations to replace overcrowded and outdated facilities.

In the Eastman Chemicals Division, programs designed to enhance the company's position in its primary businesses will be instituted. Included are facilities to improve production capabilities at Columbia, S.C., and



The new chemicals-from-coal complex (top) at Tennessee Eastman Company and the new polyethylene plant (below) at Texas Eastman Company were among major new facilities which began operation in 1983.

Kingsport, Tenn., for polyester polymers primarily directed to plastic end uses. In Longview, Tex., a new chemical incinerator is scheduled for completion in 1984.

KINSA competition draws 365,000 entries in '83

A color photograph (below) of four young ballerinas charmed judges of the 1983 Kodak International Newspaper Snapshot Awards (KINSA) to win best-of-show honors for Elaine McAree, of Alba, Texas.

Mrs. McAree was one of 210 amateur photographers who won cash prizes in the competition, which Kodak has sponsored since 1935 to promote amateur picture-taking. More than 365,000 people entered the 1983 competition, submitting their photographs to 174 daily newspapers in the United States, Canada, and Mexico.

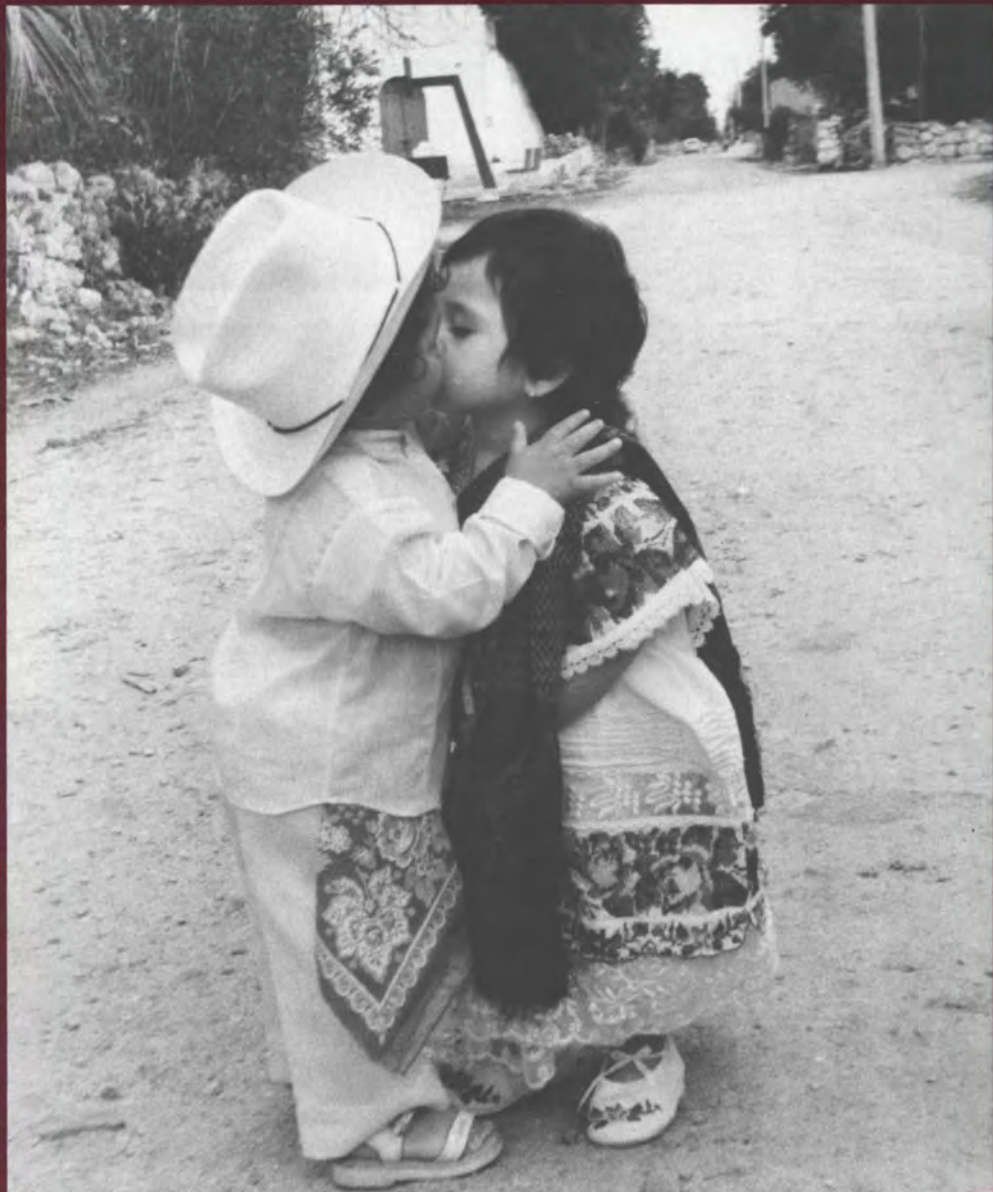
The other photographs on these pages were among the 1983 award-winners.





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

Bulk Rate
U.S. Postage Paid
Eastman Kodak Company



The 1983 KINSA contest drew 365,000 entries. See page 14.

CC5-84F