



Kodak Highlights

First Quarter 1984

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On the cover

Shareowners gathered in Kingsport, Tennessee, on May 9 for Kodak's 83rd Annual Meeting. In addition to a report on the company's business, those in attendance were treated to a luncheon and a tour of the new chemicals-from-coal facility at Tennessee Eastman Company.

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Some shareowners arriving at the meeting were subjects for a demonstration of new Kodavision products.

1984 Annual Meeting

The 83rd Annual Meeting of Shareowners of the Eastman Kodak Company was held on May 9 in Kingsport, Tennessee, with Colby H. Chandler, board chairman and chief executive officer, presiding.

A total of 118,211,154 of the company's shares were present or represented by proxy at the meeting. This represented 71.4 percent of the company's shares outstanding.

The following directors were elected to serve until the 1985 Annual Meeting: Roger E. Anderson, Colby H. Chandler, Kendall M. Cole, Charles T. Duncan, Walter A. Fallon, Robert S. Hatfield, Juanita M.

Kreps, J. Paul Lyet, Toy F. Reid, J. Phillip Samper, David S. Saxon, John G. Smale, Paul L. Smith, William L. Sutton, and Kay R. Whitmore. A total of 117,273,412 votes were cast in the election of directors.

The accounting firm of Price Waterhouse was reelected as auditors for 1984. The vote was 117,350,048 in favor (99.8%) and 231,772 against (0.2%).

A shareowner resolution concerning the nature and extent of the company's government business was defeated. The vote was 96,759,713 against (94.9%) and 5,196,441 in favor (5.1%).

Chandler, Whitmore give Annual Meeting report on way Kodak is 'Changing for the Future'

Colby H. Chandler, chairman and chief executive officer, and Kay R. Whitmore, president, made the following reports at the Annual Meeting of Shareowners in Kingsport, Tennessee, on May 9, 1984.

Mr. Chandler: More than half a century ago, the English philosopher and mathematician, Alfred North Whitehead, made an observation that sets the tone for our discussion today. Dr. Whitehead wrote:

"The art of progress is to preserve *order* amid *change* . . . and to preserve *change* amid *order*."

For more than 100 years, our company has made changes which have brought us new strength, new opportunities, and new growth. Today, those changes continue and the pace of change accelerates. Today, our people are doing things differently, with a greater sense of urgency, with a continued emphasis on quality, and with a stronger focus on effectiveness.

All of that enables us to better manage our business.

This morning, Mr. Whitmore and I will discuss our company's business. We will detail our continuing efforts to invigorate it with innovative approaches. And we will describe how we are: *Changing . . . For The Future*.

A time of transition

This is a time of transition in every part of our company. It is a time to eliminate those functions we can do without and to emphasize those that bring us new growth. It is a time to look to the energy and experience of our people—to their resourcefulness, resilience, and self-reliance.

It is a time for our company to do more and to do it more quickly, because today we are being challenged as we have never been before.

1983 was a disappointing year for us. Worldwide sales of \$10.2 billion were 6 percent lower than those we reported in 1982.

In the Photographic Division, sales of \$8.1 billion represented a 9-percent decrease from 1982. Eastman Chemicals Di-

vision showed steady improvement throughout 1983, finishing with sales of \$2.3 billion, up 6 percent from the previous year. Net earnings in 1983 decreased 51 percent to \$565 million, or \$3.41 per share.

Of course, the results for 1982 included an additional two months of sales by photographic companies outside the U.S. and Canada. On a comparable calendar-year basis, sales for 1983 were essentially level with those for 1982.

As 1983 concluded, we said we expected 1984 to be a year of steadily increasing sales and sharply higher earnings. That expectation continues.

Quarterly earnings rise

For the first quarter of this year, worldwide sales of \$2.14 billion were up one percent from those we reported one year ago. Net earnings were \$157.8 million, more than triple those of first quarter 1983. Of course, 1983 earnings were adversely affected by costs incurred for the company's Optional Retirement and Separation Program. When those costs are excluded, net earnings for the first quarter of 1984 are still up 15 percent.

In the Photo Division, sales of \$1.6 billion were down about 3 percent from those we reported in 1983. Chemical sales were \$561 million, up 12 percent.

Our business is improving but our first quarter results were impacted somewhat by two negative factors:

- The first is *strong dealer orders in the fourth quarter of last year*. During that quarter, our sales to dealers and other customers were higher than expected. To take advantage of our purchase incentives, they built inventories that were larger than normal. As they sold from those inventories in the first quarter, our sales were lower than normal.

Now we have under way several new promotions which are proving very popular. But those promotions are just beginning to impact our sales.

- The second negative factor which impacted our business was the *continued*



Colby H. Chandler, chairman and chief executive officer, presided.

strength of the U.S. dollar. In 1983, the dollar was up 14 percent against the average exchange rate in Europe. In the first quarter of this year, the dollar did weaken slightly, but it still remains at a level stronger than it was a year ago. If—and when—it continues to weaken, that would have a positive impact on our earnings.

On a more positive note, lower silver costs and labor savings resulting from our effectiveness efforts have contributed to increased earnings.

Building a base

So, we are building a base for superior financial performance. That continued performance will be supported by the outstanding acceptance of our products in world markets.

- For example, retail sales of Kodak disc film in 1983—in both the United States and worldwide—were *double* what they were in 1982. We expect them to be up substantially from that base in 1984.
- In our instant line of business, we are increasing our involvement in non-amateur markets. One national insurance agency will use more than one million packs of our film in 1984 alone.
- In color paper, the world market is growing at a 7-percent annual rate—with stronger growth in the United States. Our worldwide share of that market continues to improve.
- In our copier-duplicator line of business, we expect placements of our new Ektaprint 200 copier to be up substantially this year, in the United States, in Canada,

and in Europe.

- In the clinical area, 1984 orders for our Ektachem 700 analyzer have exceeded our estimates, and there is high enthusiasm for our Ektachem DT60 desk-top analyzer.
- Our new video tape products have surpassed our early sales targets.
- And, results from our Eastman Chemicals Division also are clearly positive. The recovery in automobiles and housing is leading to good volume gains in industrial chemicals and plastics.

Areas of change

In all areas of our company, we are on our way back from the bottoming out we experienced last year. We are building a base for superior financial performance by changing . . . for the future. Today, we will discuss three areas of change:

- First, we are investing in our business in more imaginative ways. We are trying processes others have not tried. We are moving more freely into new areas of technology.
- Second, we are using innovative approaches to increase product strength and diversity, and to broaden the capabilities of our people.
- Finally, we are obtaining products and technologies from both inside and outside our company. This two-pronged approach enables us to move more quickly and more competitively into new areas of opportunity.

All of these changes strengthen our confidence in our company and in its future. Now, to describe our operations and our di-

rections in greater detail, let me turn the microphone over to your president, Kay Whitmore.

Mr. Whitmore: Thank you, and good morning.

If you were to look for one symbol of our ability to do things differently, I would direct your attention to our coal gasification complex—just a mile from where you sit today.

This complex results from proprietary breakthrough technology developed by scientists and engineers right here at the Eastman Chemicals Division. We opened it around the middle of last year, and now all parts of the complex are fully operational. It allows us to use readily available coal instead of petroleum-based materials as a feedstock to produce industrial chemicals.

This plant produces methanol and methyl acetate as intermediate chemicals in the process of making acetic anhydride. Acetic anhydride is a key ingredient in the manufacture of photographic film base, fibers, plastics and other products.

Since we announced this project in 1980, world prices for crude oil have stabilized, yet our natural-gas-based-feedstock prices have increased. Today's prices—plus the advanced technology we have incorporated into this plant—position us as the world's most productive manufacturer of acetic anhydride.

New plants in Texas

At Texas Eastman, our new hydrocarbon cracking plant and our new polyethylene plant round out the major capital projects for our Chemicals Division in 1983. These facilities came on stream last July and almost immediately began operating at full capacity.

The hydrocarbon cracking facility replaces two 30-year-old plants and widens our selection of feedstocks. It increases our capacity to produce olefins, the chemical building blocks of Texas Eastman's products. Energy created in this highly efficient facility is used in other processes at the plant site.

Our other new plant manufactures low density polyethylene, which is used for various packaging applications. Demand has been good, and we believe our Texas facility



is the most advanced and most productive low density polyethylene plant in the United States.

Earlier this month, we announced plans to construct a plant for the manufacture of hydroquinone—a chemical that has applications in photo developers and in other products. We are the world's largest manufacturer of hydroquinone.

Our new plant will use technology refined by Eastman scientists and will enable us to be more cost-competitive in our manufacturing process. This facility will replace our current plant and will be built here on Eastman property. It will be operational in 1986.



Many exhibits were on display in the lobby of the Eastman Employee Center, including large-scale models (right) of parts of the chemicals-from-coal operation.

Our new plants are at the forward edge of technology. They bring us strong competitive advantages on the chemicals side of our business.

Strong ECD performance

By most measures, our Eastman Chemicals Division has outperformed the chemicals industry over the last ten years.

- Our earnings from operations per dollar of sales were 40-percent higher than the average of the industry companies with whom we are often compared.
- Our earnings from operations per dollar of gross investment were 36 percent higher.

- Our productivity, as measured by sales per employee, exceeded the majority of companies in the chemicals industry.
- And, our products show a strong concern for quality and a firm attention to customer needs.

Our chemicals strategy is to innovate in areas where we have particular strengths. Two examples of that come to mind:

- The first example centers on the health care field, where we have introduced an Eastman copolyester elastomer for packaging medical fluids. Our product contains no additives, is highly transparent, and can be sterilized without being weakened.



(Top) President Kay R. Whitmore teamed with Mr. Chandler to give management's address to shareowners; (above) Ballot boxes were available for voting on directors, auditors, and a shareowner proposal; (right) The financial analysts' tour included a stop at a control room in the chemicals-from-coal complex.

Medical acceptance has been rapid, and our copolyester offers good potential in this market—and in others—for the future.

- Our second example involves animal nutrition supplements, products which represent a new business venture for ECD. In April, we announced Eastman IsoPlus nutritional supplement to increase milk production in dairy cows. Early results show great promise, and, pending certification, we plan to test-market our new product in Michigan this fall. Favorable results will mark the beginning of animal nutrition as a major new worldwide business for our Eastman Chemicals Division.

Leader in quality, value

In all markets we serve, and in all product lines—chemicals, fibers, and plastics—ECD has one goal: to be the leader in product quality and value. The achievement of that goal requires management leadership and the commitment of all employees. It requires innovative systems and techniques, and long-term relationships with customers and suppliers. It involves teamwork among all functional areas and organizational levels, and it requires short-term decisions that are consistent with long-term goals.

Quality has long been a goal at ECD, but today it is more strongly emphasized than ever before. Today, there is more commitment, more involvement, and more concern for the customer. In every aspect of business operations, ECD is changing . . . for the future.

In the Photographic Division, our changing product lines enable us to better do what we have always done—develop quality products to serve the needs of customers in the world marketplace.

Traditional photography is a case in point. The worldwide market for traditional photography is estimated to be approximately \$25 billion today. It is expected to grow at rates exceeding real GNP growth for the rest of this decade.

In 1983, total exposures grew 7 percent in the United States. Solid growth of 35mm and disc exposures offset declines in 110 and 126 formats. We expect that growth rate to continue in 1984 and beyond. We are strong participants in both the 35mm and disc film markets.

Disc film improved

During the past year, we have incorporated new technology into our disc film. This has improved sharpness and reduced grain. And, just last month, we introduced a new line of disc cameras. Our surveys show that people like disc pictures . . . and the convenience of the disc system. We continue to believe this is the right product for snapshooters who want to record memories. And, we continue to invest heavily in advertising to communicate the fun and the ease of disc photography. Our current advertising mes-

sage is built around a song—"I'm gonna getcha with a Kodak disc."

Turning now to the 35mm business, our Kodacolor VR family of films enables picture-takers to extend their abilities to capture images.

The flagship product—Kodacolor VR 1000 film—was named as one of the outstanding products of 1983. It is an important reason why last year was the best year ever for sales of Kodak 35mm film.

Now we are building on that success. Just last month, we announced an improved Kodacolor VR 1000 film offering finer grain, greater sharpness, and improved sensitivity. This new film will yield more pleasing results in a greater variety of lighting situations. Our new film can be used confidently at exposure indices from 250 to 2000. It can be used in fully automatic cameras and in sophisticated SLR's. It is the finest high-speed film we have ever marketed for the 35mm film user.

Growth for 35mm

In 1983, 35mm exposures grew 16 percent in the United States, but there also was double-digit growth in Japan and in other far eastern countries. In the Far East countries, such as Indonesia, Taiwan, and Thailand, there is a strong connection between brand of camera and brand of film. So, to advance our film share—and to participate more fully in the market—we have introduced a line of 35mm cameras into those three countries.

We intend to be strong participants in the growth of the 35mm market worldwide.

Let me turn now to our commercial and industrial lines of business. In this area, we have three strategies for the future:

- First, we are interested in systems integration. We want to build image- and information-handling systems based on our knowledge of customer needs. We are more willing than ever to combine units from various sources into a system of unique value.
- Second, we are focusing on market segmentation. We are finding those market niches where we can apply special technical or marketing strengths. We will no longer be all things to all people. We seek areas with solid potential for growth.

- Our third strategy involves media orientation. We are developing proprietary media for the imaging systems and market needs of the future.

In 1983, all three strategies were supported with new product introductions.

Our Business Systems group already has taken a leadership role in systems integration, and the KAR 4000 system is a case in point. We introduced this system in 1983 to provide computer-assisted storage and retrieval of document images on microfilm. KAR demonstrates a number of important concepts:

- For example, it integrates electronics and film in a way that takes advantage of the best benefits of both.
- It combines components we manufacture and products we purchase in an exciting and innovative way.
- It demonstrates our ability to provide software and service in a manner that solves the needs of the customer.
- It's an example of our ability to move more quickly than ever before. From recognized need to available product took just under a year.
- And, it provides an indication of strong market performance—because, in 1983, KAR 4000 sales were 150 percent of our estimates.

Segmenting the market

Our second strategy is market segmentation. Our ability to serve the right segments with the right products is evident in a number of our product lines.

For example, in early 1983, we introduced the Ektaprint 200 copier-duplicator unit to bring new capabilities to the mid- and high-volume markets. On a worldwide basis, we expect that two thirds of all copiers we place this year will be our model 200. And, by the end of this year, the Ektaprint 200 copier will represent almost 20 percent of all our copiers in use.

Just last week, we made two announcements in our copier-duplicator line. We are now equipping our model 200 with a range of features previously unavailable in the mid- and high-volume market. And, our new Ektaprint 225 copier-duplicator will

combine all the features of the model 200 with the ability to create two-sided documents, automatically, from one- or two-sided originals at full machine speed.

The worldwide market for the volume segments and geographic areas where we compete in the copier-duplicator business is \$10-15 billion.

Success for analyzers

In another example of market segmentation, 1983 placements of our Ektachem blood analyzers exceeded our expectations in the markets we serve. We concentrate on the "discrete" and "STAT" segments, which represent 45 percent of the tests—and 70 percent of the revenues—in the \$2½ billion clinical chemistry market.

Last year, users of our Ektachem 400 analyzer accounted for more than 20 million patient results, and slide usage per analyzer was higher than we originally expected.

Our customers consistently tell us that our analyzers produce 50 percent more reportable results than those of our nearest competitor. And, now that cost control is becoming a way of life in the health-care field, our Ektachem analyzers are well positioned for sales growth.

To build upon our success, we have announced our intention to market the Ektachem 400 analyzer in key European markets and in Japan. And, in 1983, we announced two new additions to our Ektachem line.

The new Ektachem 700 analyzer delivers more than 500 reportable results per hour. This unit provides kinetic enzyme as well as potentiometric and colorimetric testing, it allows users to perform only the tests which patients need, and it accommodates interruptions for emergency tests.

Orders already have exceeded our most optimistic projections and we will be crossing the country with two new Med-Vans which will demonstrate our new unit to potential customers.

Meeting the needs

At the other end of the scale, the Ektachem DT60 analyzer is a desk-top unit no bigger than a typewriter. It is designed to meet the



Exhibits included the new Ektachem DT60 analyzer (top), end uses of Eastman Chemicals Division products (above), and various Kodak consumer products (right).



testing needs of physicians in individual and group practices. Nearly 100,000 such practices exist today in the United States alone, and the market is growing rapidly.

This unit has been our most enthusiastically received product for the health-care field—ever. We are now trade testing the DT60 in Rochester, and we will begin shipments to dealers in the fall.



Shareowners enjoyed a complimentary luncheon (above), but the youngest lady in attendance (top) brought her own snack.

Our third strategy for the future involves media orientation.

In 1983, we added a number of innovative products to our traditional film lines.

- For example, our Kodak Ultratec products bring the graphic arts industry a combination of speed, convenience, and quality which never has been possible before.
- Our Versalite contact and duplicating films for the same industry let users work

in normal white light without sacrificing cost or quality.

- In the health sciences field, our new Kodak T-Mat x-ray films have extended the promise and potential of T-grain emulsion technology. Radiologists who have seen the results prefer T-Mat film over any other film product available.
- We also are supplying films to match the storage and display requirements of new diagnostic imaging techniques—such as CAT scanners, ultrasound, and nuclear magnetic resonance. These special application films will be a \$100 million business for us by 1987.

But, for many observers of our company, the most surprising addition to our media product line came on January 4 of this year. On that date, we announced a new line of video products backed by our name, our knowledge of the customer, and our ability to reach the marketplace.

Inroads in video

Kodak and Eastman video products illustrate what has long been our strategy. We are using our traditional marketing strengths—design, distribution, communication and technical support—to add value to products that meet the imaging needs of customers.

In the five months since announcement, we have made solid inroads into the videotape market. Our sales are above what we expected them to be at this point. Sales have been particularly strong in drug chains, camera stores—and in video specialty stores, customers who have never done business with us before.

The 8mm format is in its infancy. We are proud to be there at the beginning, with a system that is small, lightweight, and completely portable. We have a long history of meeting the needs of the consumer, and, with our new video products, that tradition continues.

Market growth and product-line expansion will take us part of the way to a strong future. But we know we must also become more effective at everything we do.

In 1983, we set a new course—one that builds from our past traditions, but isn't tied to them.

In every unit of the company—



worldwide—we are learning how to improve quality . . . to improve the flow of communications . . . and to increase operating efficiency.

Better teamwork

We are streamlining levels of supervision, and we are increasing teamwork between functional manufacturing and support services groups.

We have leaned heavily on transfers of people within the company during the last year. And, we've found that there is an exceptional depth and quality to Kodak people. They have the skills, talent, and desire to fill the most vital positions in the company.

Last year, more than 300 Kodak people transferred to professional positions in other major company units—and that excludes people who transferred to different jobs within the *same* unit. They represented nearly half of the professional positions that we filled.

Marketing provides a good example. In 1983, about 60 percent of the total sales positions we filled were filled by people from inside our company.

Our chemicals-from-coal project is another case in point. The 300 people required to operate, maintain, and support it were moved from existing forces without replacement. Their talent and experience will permit high operating levels while enabling us to control operating costs.

Outside the United States, one of the best examples of improved effectiveness comes from Kodak Australasia. During the past ten years, total sales have increased by 400 percent—while employment has actually declined.

Our productivity improvement efforts are well under way in all parts of the company. Three years of capital spending at a \$1 billion annual rate has improved our production capabilities. One quarter of that budget is aimed directly at helping us reduce costs.

For Eastman Kodak, we see 1984—and the balance of the decade—as a time of increasing sales, continuing growth, and steadily improving earnings.

Now, with some additional thoughts on our company, here again is Mr. Chandler.

Mr. Chandler: The products and the programs Mr. Whitmore has described to you



Flanking Mr. Chandler at the post-meeting press conference were Mr. Whitmore (left) and Toy F. Reid, general manager of the Eastman Chemicals Division.

cross many market areas and technological disciplines. But we manage all of them with a fundamental goal: to advance company earnings, to increase the return you receive from your investment in Eastman Kodak Company.

If we are going to achieve that goal, we must participate more quickly in the commercialization of new ideas. We take a two-pronged approach to that. One involves internal accomplishments. The other centers on technologies and products that come from outside our company.

Sharply focused research

Internally, our abilities in chemistry, in optics, and in electronics are deeper than they have ever been. We have the capability to move freely in an ever-expanding matrix of technology. But, at the same time, we have been working to focus more sharply our research efforts to pursue those ideas that offer the greatest potential for meeting customer needs—and for meeting corporate financial goals.

The Kodak Image Management System, a system we will offer to the business marketplace later this year, is one example.

This system will enable 12 million micro-filmed documents to be stored in one location, retrieved automatically in seconds,

and sent to remote display terminals where they can be combined with other data and turned into hard copy prints.

KIMS is based upon our long-standing ability with microfilm combined with our emerging expertise in software design. It combines elements we make with components we purchase. And, the entire system is backed by our service network and supported with our reputation in the marketplace.

Our first customer installation will be later this year. Others will follow. It is not difficult to imagine that such a system may have other applications in other lines of business.

For example, someday it may be possible to use a graphics image management system to transmit images to remote publishing locations—or a diagnostic image management system to convey medical x-rays and patient information to health-care specialists throughout a medical facility.

By the end of the decade, image management will be a multi-billion dollar industry. We are developing systems to have a leadership position in that industry.

New opportunities

Today, our research activities are largely directed toward advancing the technologies of

chemistry . . . and imaging. Some of our activities are now identifying new opportunities for businesses outside of our traditional product and process lines.

At one time we would have bypassed those; today we are giving them close and careful consideration. We are more interested than ever in new ideas, in taking entrepreneurial approaches, in balancing risks with rewards. We know that not all ideas will succeed. But we know also, we will never succeed unless we step out *now* and do something.

Much of what we do will be based on ideas developed in our worldwide laboratories. But some of our future successes will also come from breakthroughs made by others.

Today, technical knowledge expands at such a rate—and customer expectations advance so rapidly—that we will not achieve our growth targets if we try to do everything ourselves. For existing and quickly emerging technologies, we are working more closely with others.

Two brief examples come to mind:

- The first involves our licensing agreement with Drivetec, a company based here in the United States. That agreement permits us to manufacture magnetic disk drives in our Rochester factories, where our capability in circuit-board fabrication and assembly enables us to manufacture them cost effectively. These products are finding good acceptance, and we expect next year's sales to be almost four times this year's outstanding rate.
- Our second example involves Japan. Our purchasing offices in Tokyo and other cities in the Far East enable us to buy high-quality components at competitive prices. These components are used in products we manufacture in our U.S. operations.

Japanese Region formed

Our continued success with the Japanese will evolve from a close working relationship, and our establishment of a Japanese Region will foster that.

That region will bring several benefits. It will enable us to give greater support to our distributors and to better reach our customers. And, it will provide easier, more rapid



(Top) Mr. Whitmore fields a question from the press; (above) shareowners study the model of the chemicals-from-coal operation.

access to advancing Japanese technology—for purchase in the form of finished products, or as a bridge to manufacturing within our own facilities.

Our strengthened relationships with other world companies is a new approach for Eastman Kodak Company. But that approach should be viewed as an important new opportunity. We are a world-class company, and our customers, our competitors, and our suppliers will continue to come from all across the globe.

As we work with other companies to augment our internal capabilities and to meet our immediate product and technical needs,

we also make investments in our long-term future growth.

Most recently, we have joined 15 other U.S. companies as a shareowner in a joint venture called the Microelectronics and Computer Technology Corporation. This organization conducts research in semiconductor packaging, software technology, and advanced computer architecture. It provides U.S. companies with a cooperative approach to research and development in areas that could not be supported by individual companies alone.

We also continue to support major university programs in optics and in magnetics, as well as in microbiology and in biotechnology.

Eagerness for knowledge

Participation in emerging technologies requires a new way of thinking . . . an eagerness to develop and to share knowledge, and a willingness to be there when ideas are just beginning to take shape.

Like many companies, we are not used to working in an environment where there is rapid technology transfer from the laboratory to the marketplace. But we know that will be important in our future, and we are taking strong, positive steps to prepare ourselves for it.

We are learning to move faster, to go forward sooner, relying on our expertise, our reputation, and our worldwide ability to reach the customer.

Let me assure you, Eastman Kodak Company will be a formidable competitor in every line of business we choose for long into the future.

As we move into that future, our people help us set our course.

Ours is a company based on a commitment to quality, and that begins with quality people. We have those people—people of great skill and determination—throughout every company unit. We depend on our people, and we have a great respect for them, because they are working to make change work for us all.

They are telling us how to run our business leaner and more effectively. They are reducing expenses, lowering costs and raising standards of quality. They are indicating

that staff levels of yesterday are no longer necessary—or even desirable—to meet the needs of tomorrow.

Our people are proving they can set higher goals, be more effective, and react more quickly to windows of opportunity in the marketplace. They want tougher challenges. They understand what it means to focus not on the immediate . . . but on long term corporate goals.

Trying new ideas

In new technologies and in new market areas, our people are demonstrating they are more eager than ever to "step out and try new ideas."

The Suggestion System is one measure of their ability to contribute. In 1983 alone, our company realized more than \$16 million in savings from suggestions submitted by company people in the United States. That was up more than 10 percent over the previous year.

The percentage of employees submitting suggestions climbed to more than 35 percent last year, nearly three times the national average. And, our numbers show that we adopt about one out of every three ideas submitted.

As they contribute their ideas and their insights, we are helping our people to better understand the role they play in the business of our business.

The responsibility of all company employees is a fundamental one: they must add unique value to everything they do, value that makes our products and our services superior in the marketplace and enables us to achieve our goals of growth for the future.

Today, we are a company that is deep in resources—in products, in technologies and in people. We are resolved to be a strong company as we maintain our legacy of leadership.

The changes we have described will make us more effective. They will enable us to maintain the reputation we have long held—the reputation as a quality manufacturer, an innovative marketer, a good employer, and a company with a proven ability to remain successful.

We are changing . . . for the future.

Thank you.



Mr. Chandler conducted the question-and-answer portion of the meeting.

Discussion summary

The following summarizes the discussion during the question-and-answer session of the Annual Meeting, with Colby H. Chandler presiding. A transcript of the meeting may be obtained by writing to Shareowner Relations, Eastman Kodak Company, 343 State Street, Rochester, NY 14650.

A shareowner asked if the company would introduce a line of 35mm cameras in the United States.

Mr. Chandler referred the question to J. Phillip Samper, general manager of the Photographic Division. Mr. Samper noted that it is not the company's policy to pre-announce new products. However, he said, if the company were to determine that a 35mm camera for the U.S. market represented a business opportunity consistent with Kodak's strategic plans, then such a product could become a reality.

A shareowner from Kingsport asked if the feedstock for the recently announced new hydroquinone plant could be manufactured from the chemicals-from-coal facility at Tennessee Eastman Company. Mr. Chandler asked Toy R. Reid, general manager of the Eastman Chemicals Division, to respond. Mr. Reid said that the final decision regarding the site of the new hydroquinone plant

has not yet been made, and that ECD plants in Arkansas, Texas, and Tennessee all were under consideration. He added that the materials required for the feedstock were not readily available from the chemicals-from-coal facility and that, regardless of the eventual plant location, the primary feedstock is likely to be manufactured at Texas Eastman Company or purchased commercially.

Two shareowners asked questions regarding Kodak's earnings, asking Mr. Chandler to project results and to comment on whether or not cash dividends would be increased. Mr. Chandler first commented on the risky nature of forecasting. The uncertainties, he said, concern the strength of the U.S. dollar in relationship to other currencies, and the strength of various economies of the world, particularly Europe. The continued strong dollar and the slow economic recovery in Europe continue to adversely affect Kodak's business, he said, and they make forecasting very difficult. However, Mr. Chandler strongly reemphasized the confidence which Kodak management has in the company's future. "Kodak never has been any better positioned in the marketplace than we are today," he said. "We are confident in our forecast of sharply higher earnings for 1984."

First Quarter Report to Shareowners

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

Summary

Net earnings for the first quarter of 1984 were \$157.8 million compared with \$49.4 million in the first quarter of 1983. The 1983 first quarter earnings were adversely affected by the costs of an optional retirement and separation program. Excluding these costs, first quarter 1984 earnings from operations increased 21 percent and net earnings increased 15 percent.

(in millions, except earnings per share)	First Quarter		
	1984	1983	Change
Sales	\$2,140.8	\$2,129.9	+ 1%
Earnings from Operations	271.0	77.2	+251
Net Earnings	157.8	49.4	+220
Per Share	\$.95	\$.30	

Sales

First quarter sales in 1984 were 1 percent higher than a year ago. A slight decline in Photographic Division sales was more than offset by solid gains in Chemicals Division sales.

Sales by Division (in millions)	First Quarter		
	1984	1983	Change
Photographic Division			
Inside the U.S.	\$ 918.6	\$ 920.0	0%
Outside the U.S.	716.7	764.5	- 6
Total Photographic Division	1,635.3	1,684.5	- 3
Chemicals Division			
Inside the U.S.	451.0	399.3	+13
Outside the U.S.	109.5	100.2	+ 9
Total Chemicals Division	560.5	499.5	+12
Deduct Interdivision Sales	(55.0)	(54.1)	
Total Worldwide	\$2,140.8	\$2,129.9	+ 1%

In the Photographic Division, the first quarter included strong gains in revenues from copier-duplicators and sharply higher sales of Kodacolor film in the disc format. Sales in the U.S. were essentially level with last year's first quarter, reflecting heavy stocking by U.S. customers in the fourth quarter of 1983. Sales outside the U.S. declined primarily because of the continuing adverse impact of foreign currency fluctuations.

In the Chemicals Division, strong volume gains were recorded for plastics and chemicals. Sales of fibers were even with last year.

Sales to the U.S. Government and defense contractors amounted to \$89.3 million for the first quarter, approximately 4.2 percent of the company's revenues.

Earnings

Earnings benefitted from lower silver costs in the first quarter of 1984 compared with 1983, and savings realized from last year's personnel reduction programs. Earnings were unfavorably affected by the continuing adverse impact of foreign currency fluctuations against the U.S. dollar. The 1983 first quarter included a charge for an optional retirement and separation program. Excluding this charge, first quarter 1984 cost of goods sold decreased 2 percent and sales, advertising, distribution, and administrative expenses decreased 1 percent; with a resulting earnings from operations increase of 21 percent.

Costs and Expenses (in millions)	First Quarter		
	1984	1983	Change
Cost of goods sold	\$1,434.3	\$1,581.5	-9%
Percent of sales	67.0%	74.3%	
Sales, advertising, distribution, and administrative expenses	\$ 435.5	\$ 471.2	-8%
Percent of sales	20.3%	22.1%	

Cost of goods sold included research and development expenditures of \$178.0 million compared with \$174.9 million in the first quarter of 1983.

Earnings from Operations (in millions)	First Quarter		
	1984	1983	Change
Amount	\$271.0	\$77.2	+251%
Percent of sales	12.7%	3.6%	

Investment income of \$35.1 million was higher than in the first quarter of 1983 principally because of a higher average balance of securities. The net after tax effect from foreign exchange transactions and the translation of net monetary items was a loss of \$1.6 million in the first quarter of 1984 compared with a gain of \$9.5 million a year ago. The provision for income taxes was \$131.5 million compared with \$33.0 million in the first quarter of 1983.

Net Earnings (in millions)	First Quarter		
	1984	1983	Change
Amount	\$157.8	\$49.4	+220%
Percent of sales	7.4%	2.3%	

Cash Dividends

A cash dividend of 75 cents per share was declared in the quarter. Total dividends declared in the quarter amounted to \$124.2 million.

Financial Position

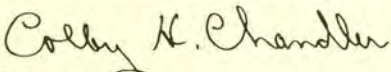
Cash and marketable securities were \$1,536.7 million at the end of the quarter, compared with \$1,562.2 million at year-end 1983. Worldwide inventories were \$1,833.9 million, up 7 percent from \$1,710.1 million at year-end 1983. Receivables of \$1,678.4 million declined 6 percent from \$1,779.2 million at year-end. Working capital at the end of the quarter increased to \$3,315.4 million from \$3,248.0 million at year-end.

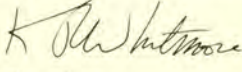
Capital Additions (in millions)	First Quarter	
	1984	1983
Photographic Division	\$142.9	\$181.1
Chemicals Division	29.4	62.5
Total	\$172.3	\$243.6

The provision for depreciation in the quarter was \$159.5 million, compared with \$147.9 million in the first quarter of 1983.

Outlook

While the relatively slow rate of recovery in overseas economies and the adverse currency situation may be with us for a period of time, we look forward to a solid business recovery for Kodak. This, combined with further contributions from cost-effectiveness programs, portends a strong earnings performance for the company for the balance of the year.


Chairman


President

Consolidated Statement of Earnings

Eastman Kodak Company and Subsidiary Companies

	For the Quarter (12 weeks) Ended	
	Mar. 18, 1984	Mar. 20, 1983
(in millions, except per share data)		
Sales		
Sales to: Customers in the United States	\$1,317.4	\$1,268.3
Customers outside the United States	823.4	861.6
TOTAL SALES	<u>2,140.8</u>	<u>2,129.9</u>
Costs		
Cost of goods sold	1,434.3	1,581.5
Sales, advertising, distribution, and administrative expenses	435.5	471.2
Total costs and expenses	<u>1,869.8</u>	<u>2,052.7</u>
Earnings		
EARNINGS FROM OPERATIONS	271.0	77.2
Investment income	35.1	27.7
Interest expense	21.9	21.9
Other income and (charges)	5.1	(.6)
EARNINGS BEFORE INCOME TAXES	<u>289.3</u>	<u>82.4</u>
Provision for United States, foreign, and other income taxes	131.5	33.0
NET EARNINGS	<u>\$ 157.8</u>	<u>\$ 49.4</u>
Average number of shares of common stock outstanding	165.6	165.5
Net earnings per share	\$.95	\$.30
Cash dividends per share	\$.75	\$.75

Consolidated Statement of Retained Earnings

Retained Earnings

Retained earnings at beginning of year	\$6,586.3	\$6,608.7
Net earnings	157.8	49.4
TOTAL	<u>6,744.1</u>	<u>6,658.1</u>
Cash dividends declared	124.2	124.2
RETAINED EARNINGS at end of quarter	<u>\$6,619.9</u>	<u>\$6,533.9</u>

Supplemental Information:

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

Sales	\$ 746.4	\$ 792.1
Earnings from operations	7.5	31.3
Net earnings (loss)	(19.2)	7.5

Consolidated Statement of Financial Condition

Eastman Kodak Company and Subsidiary Companies

	Mar. 18, 1984	Dec. 25, 1983	Mar. 20, 1983
Assets			
Current Assets		(in millions)	
Cash	\$ 95.1	\$ 141.4	\$ 93.0
Marketable securities	1,441.6	1,420.8	976.9
Receivables	1,678.4	1,779.2	1,564.6
Inventories	1,833.9	1,710.1	2,132.4
Deferred income tax charges	132.8	133.3	56.1
Prepaid charges applicable to future operations	225.5	235.2	321.5
Total current assets	<u>5,407.3</u>	<u>5,420.0</u>	<u>5,144.5</u>
Properties			
Land, buildings, machinery, and equipment at cost ..	10,199.6	10,049.2	9,572.2
Less: Accumulated depreciation	4,945.6	4,801.6	4,424.4
Net properties	<u>5,254.0</u>	<u>5,247.6</u>	<u>5,147.8</u>
Other Assets			
Long-term receivables and other noncurrent assets ..	251.7	260.3	245.7
TOTAL ASSETS	<u>\$10,913.0</u>	<u>\$10,927.9</u>	<u>\$10,538.0</u>
Liabilities and Shareowners' Equity			
Current Liabilities			
Payables	\$ 1,692.9	\$ 1,752.4	\$ 1,669.9
Taxes-income and other	274.4	204.4	260.8
Dividends payable	124.6	215.2	124.6
Total current liabilities	<u>2,091.9</u>	<u>2,172.0</u>	<u>2,055.3</u>
Other Liabilities and Deferred Credits			
Debentures	341.0	341.0	341.0
Other long-term liabilities	288.0	289.0	234.5
Deferred income tax credits	638.4	606.0	440.0
Total liabilities and deferred credits	<u>3,359.3</u>	<u>3,408.0</u>	<u>3,070.8</u>
Shareowners' Equity			
Common stock*			
Par value-paid in or transferred from retained earnings	414.3	414.3	414.3
Additional capital paid in or transferred from retained earnings	519.5	519.3	519.0
Retained earnings	6,619.9	6,586.3	6,533.9
Total shareowners' equity	<u>7,553.7</u>	<u>7,519.9</u>	<u>7,467.2</u>
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	<u>\$10,913.0</u>	<u>\$10,927.9</u>	<u>\$10,538.0</u>

*Common stock: \$2.50 par value, 360.0 million shares authorized, 165.7 million shares issued. Of the shares authorized, approximately 3.4 million shares were reserved for the conversion of debentures.

Consolidated Statement of Changes in Financial Position

Eastman Kodak Company and Subsidiary Companies

	For the Quarter (12 weeks) Ended	
	Mar. 18, 1984	Mar. 20, 1983
	(in millions)	
Funds Provided By:		
Net earnings	\$ 157.8	\$ 49.4
Depreciation and amortization	159.7	148.1
Other non-cash charges (credits)	37.6	(29.3)
Total from earnings	355.1	168.2
Increase (decrease) in liabilities	(81.1)	(4.4)
TOTAL FUNDS PROVIDED	<u>274.0</u>	<u>163.8</u>
Funds Used For:		
Additions to properties	172.3	243.6
Dividends to shareowners	124.2	124.2
Increase (decrease) in: Receivables	(100.8)	(264.3)
Inventories	123.8	30.9
Other items, net	(20.0)	(22.6)
TOTAL FUNDS USED	<u>299.5</u>	<u>111.8</u>
Increase (decrease) in cash and marketable securities	(25.5)	52.0
Cash and marketable securities, beginning of year	1,562.2	1,017.9
Cash and marketable securities, end of quarter	<u>\$1,536.7</u>	<u>\$1,069.9</u>

The financial statements have been prepared by the company in accordance with the accounting policies stated in the 1983 Annual Report. These financial statements should be read in conjunction with the Notes to Financial Statements appearing in the 1983 Annual 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 independent accountants.

Lowrie G. Piercy, General Comptroller
May 2, 1984

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EASTMAN KODAK COMPANY
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ROCHESTER, N.Y. 14650

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Financial analysts huddled under umbrellas as they toured the chemicals-from-coal facility at Tennessee Eastman Company the afternoon before the Annual Meeting.

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