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# 4Q 2005 Results & Full Year 2006 Outlook

January 30, 2006

**Kodak**

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# Don Flick

Director & VP  
Investor Relations

**Kodak**

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Certain statements in this presentation may be forward looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to expectations for the Company revenue, revenue growth, earnings, operating margins, cash and decline in traditional business are forward-looking statements.

Actual results may differ from those expressed or implied in forward-looking statements. In addition, any forward-looking statements represent our estimates only as of the date they are made, and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change. The forward-looking statements contained in this presentation are subject to a number of factors and uncertainties, including the successful:

- *Implementation of our digital growth and profitability strategies, business model and cash plan;*
- *Implementation of a changed segment structure;*
- *Implementation of our cost reduction program, including asset rationalization and monetization, reduction in sales, general and administrative costs and personnel reductions;*
- *Implementation of, and performance under, our debt management program;*
- *Implementation of product strategies (including category expansion, digitization, organic light emitting diode (OLED) displays, and digital products);*
- *Implementation of intellectual property licensing and other strategies;*
- *Development and implementation of e-commerce strategies;*
- *Completion of information systems upgrades, including SAP, our enterprise system software;*
- *Completion of various portfolio actions;*
- *Reduction of inventories;*
- *Integration of newly acquired businesses;*
- *Improvement in manufacturing productivity and techniques;*
- *Improvement in receivables performance;*
- *Reduction in capital expenditures;*
- *Improvement in supply chain efficiency and management of sourcing relationships;*
- *Implementation of our strategies designed to address the decline in our analog businesses; and*
- *Performance of our business in emerging markets like China, India, Brazil, Mexico and Russia.*

Forward-looking statements contained in this presentation are subject to the following additional risk factors:

- *Inherent unpredictability of currency fluctuations and raw material costs;*
- *Competitive actions, including pricing;*
- *Changes in our debt credit ratings and our ability to access capital markets;*
- *The nature and pace of technology evolution, including the traditional-to-digital transition;*
- *Continuing customer consolidation and buying power;*
- *Current and future proposed changes to tax laws, as well as other factors which could adversely impact our effective tax rate in the future;*
- *General economic, business, geopolitical, regulatory and public health conditions;*
- *Market growth predictions, and*
- *Other factors and uncertainties disclosed from time to time in our filings with the Securities and Exchange Commission.*

Any forward-looking statements in this presentation should be evaluated in light of these important factors and uncertainties.

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Kodak has prepared a reconciliation of these non-GAAP measures to the comparable GAAP measures. This additional information is attached as an appendix to the copy of this morning's presentation material which is posted in the Investor Center of Kodak's web site, Kodak.com.



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# Antonio Perez

Chairman & CEO

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# Agenda

*Introductory Remarks*

Antonio Perez

*4Q 2005 Results*

Bob Brust

*2006: Financial Outlook*

Bob Brust

*2006: CEO's Perspective*

Antonio Perez

*Questions & Answers*

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## 4th Quarter 2005

### Strong momentum established in last 4 months

Graphic Communications Group (GCG)

- Strong acceptance of GCG value proposition as evidenced by sales

Kodak Health Group (KHG)

- Strong growth in Health Care Information Systems

Digital & Film Imaging Systems (D&FIS)

- Digital: excellent sales/share performance
- Traditional: effective cash model implemented

Operating excellence: inventory, receivables, highly disciplined spending

Cash performance success



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# 2005 Overview

## A year of excellent progress

Created \$3 billion Graphic Communications Group portfolio with immediate & sustainable profitable growth

Achieved critical mass & market leadership positions in key Consumer Digital categories – positioned for positive earnings

Reconstructed Health Group into clear verticals and invested to secure digital future

Built up a highly efficient “Manage For Cash” business model for Traditional

Accelerated Traditional asset reduction program – established end point

Debt agreement & strong cash position ensures adequate liquidity



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## 2005 Summary

### **Results visible today – strong finish to year**

Exceeded cash performance forecast

Exceeded digital revenue forecast

Grew operational digital earnings

Significant success in key digital markets

Creating valuable strategic partnerships highly relevant to digital future

**Digital revenue growth focus shifting to a balanced  
*Revenue Growth / Operating Margin Expansion*  
perspective**

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# Bob Brust

Chief Financial Officer

**Kodak**

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# Agenda

*2005 Key Metrics*

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*2005 Results*

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*2006 Plan*

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*2006 Key Messages*

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## Key Messages for Today

**Our three key metrics remain the right ones  
to assess our progress through the transformation**

**Good progress in 2005**

**Stage set for continuing momentum in 2006**

**Migration from operational measures requires changes to several  
previous bases of comparison**

### **Presentation objectives**

Provide meaningful business context

Work through reporting complexities

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# *2005 Key Metrics Update*

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## 2005 Key Metrics

(\$ in Millions)

### **2005 Goal**

**Digital Revenue Growth**

**36%**

**Digital EFO**

**\$275 - \$325**

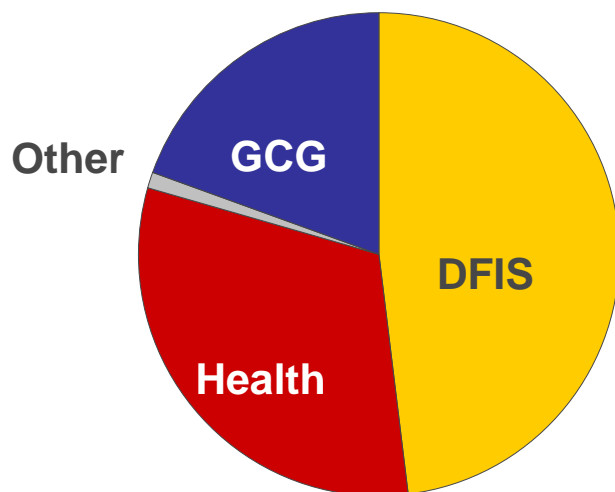
**Investable Cash Flow**

**\$400 - \$600**

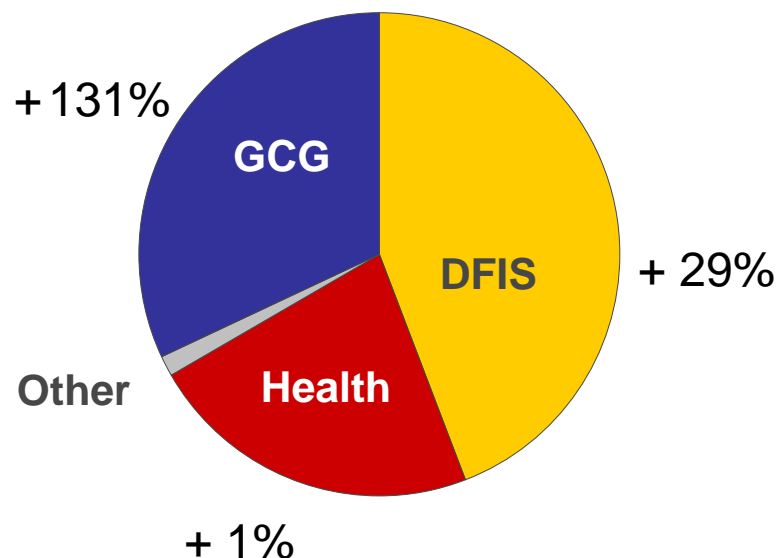
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## Digital Revenue

2004 Actual



2005 Actual



### Digital Revenue grew 40%

DFIS	+ 29%	Driven by Digital Capture, Home Printing and Kiosks
GCG	+131%	Up 11% organically
KHG	+ 1%	HCIS, Digital Capture and Services offset decline in Digital Output

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## 2005 Digital EFO

(\$ in Millions)

<b>Original Operational Digital EFO Goal</b>	<b>\$300 *</b>
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<b>Operating Shortfalls</b>	<b>-98</b>
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Subtotal	202
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### Items not in Goal:

- KPG Purchase Accounting & Creo	}	<b>-84</b>
- Creo and KPG In Process R&D		
- Legacy Cost Allocation		
- Asset Useful Life Change		

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<b>Actual Digital EFO</b>	<b>\$118</b>
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\* Midpoint of \$275 - \$325 range

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## 2005 Cash Flow Performance

(\$ in Millions)

<b>September Investable Cash Target</b>	<b>\$450</b>
Exceeded Inventory Goal	10
Exceeded Receivable Goal	85
Constrained Restructuring Spend	25
Exceeded Real Estate Sales Goal	20
Incremental Depreciation	65
Incremental Capital Expenditures	–20
All Other	93
<b>Actual Investable Cash</b>	<b>\$728</b>

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## 2005 Cash In Perspective

(\$ in Millions)

**Investable Cash**                      **\$728**

**Restructuring**                      **600**

**\$1,328**



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# Liquidity

Kodak continues to maintain good access to liquidity

**Liquidity is important for non-investment grade companies and critical for companies in major business transformations with significant cash flow seasonality**

**Kodak's liquidity is comprised of:**

Cash balance of \$1.7 billion

\$1 billion revolving credit agreement

\$0.5 billion Delayed Draw Option, expiring June 15, 2006

Various uncommitted lines of credit

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# 2005 Results

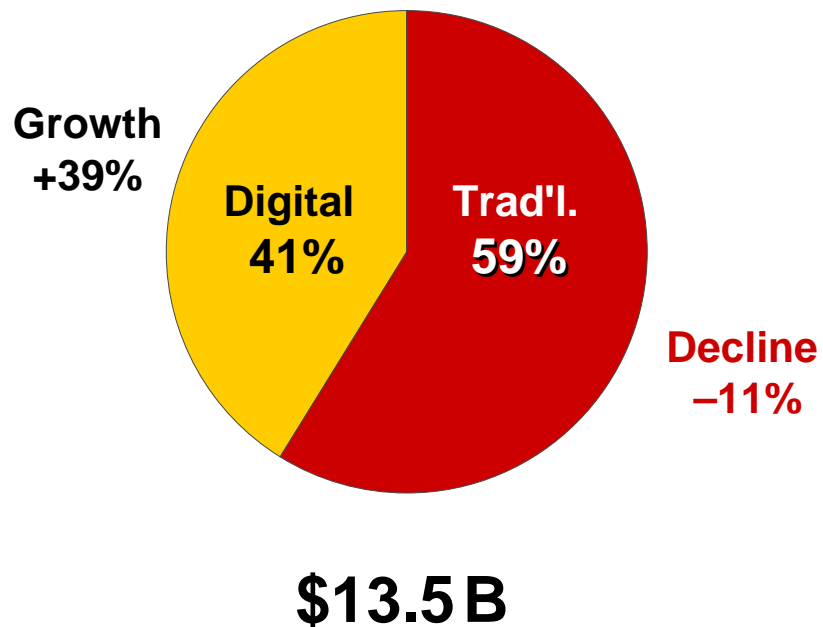
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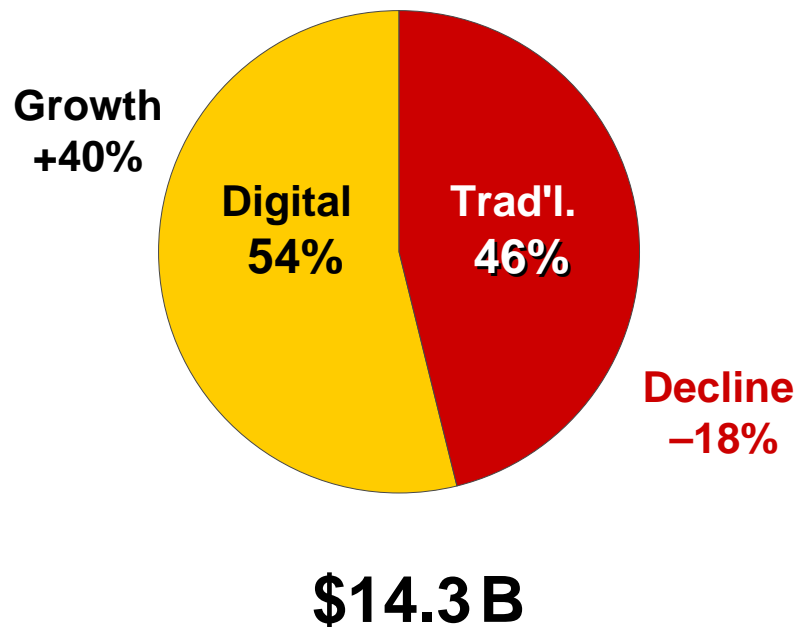


# Total Revenue

2004 Actual



2005 Actual



**Last four months:** 39% of annual revenues

**2005:** Total revenues up 6% vs. 2004

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## 4Q 2005 GAAP Results

(\$ in Millions)

	<u>Q4 04</u>	<u>Q4 05</u>	<u>YOY Δ</u>
Revenue	\$3,759	\$4,197	+12%
Gross Profit	975	957	– 2%
SG&A	710	748	+5%
R&D	221	212	– 4%
Restructuring	280	159	– 43%
EFO	–236	–162	+\$74M
Below EFO	93	–12	–\$105M
Diluted EPS	–\$0.20	–\$0.18	+\$0.02

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## 2005 GAAP Results

(\$ in Millions)

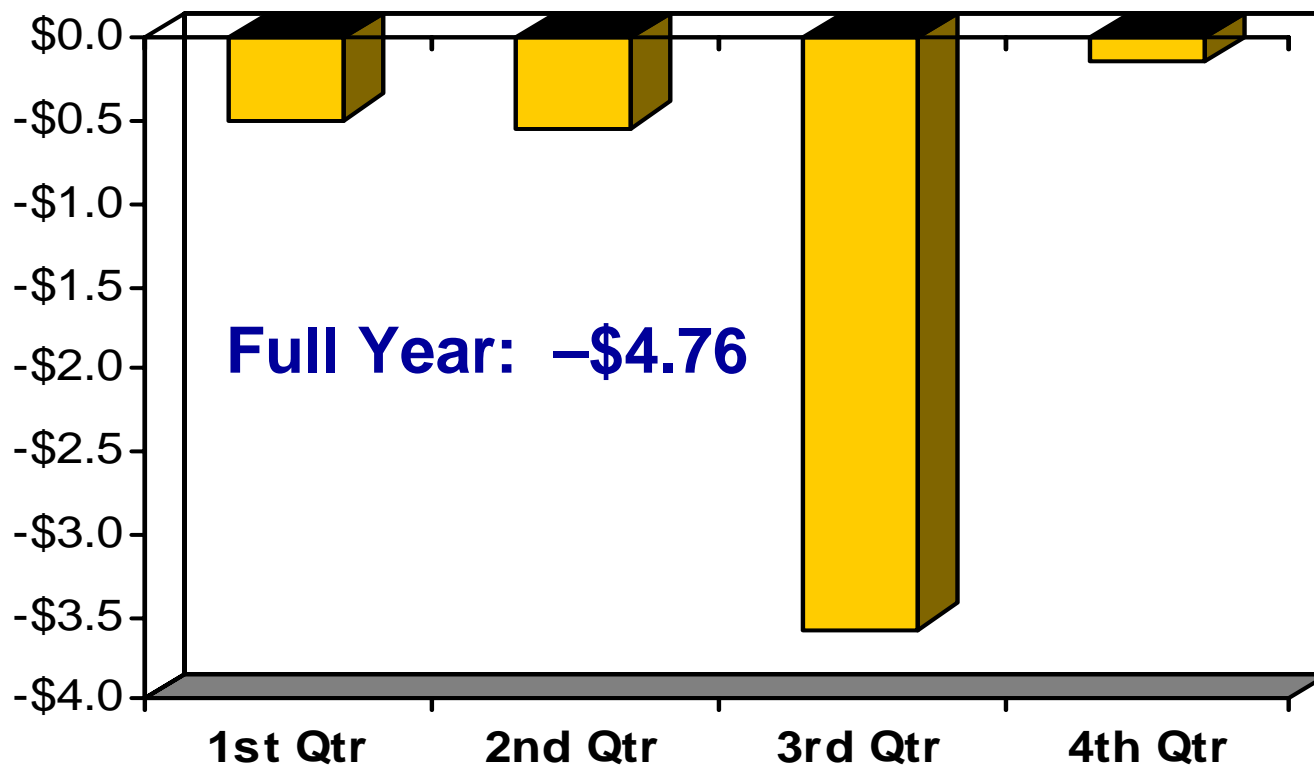
	<u>2004</u>	<u>2005</u>	<u>YOY Δ</u>
Revenue	\$13,517	\$14,268	+6%
Gross Profit	3,935	3,637	−8%
SG&A	2,491	2,649	+6%
R&D	836	892	+7%
Restructuring	695	690	− 1%
EFO	−87	−594	−\$507M
Below EFO	−7	−167	−\$160M
Diluted EPS	\$1.94	−\$4.76	−\$6.70

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## 2005 GAAP Earnings Per Share



Year distorted by 3<sup>rd</sup> quarter tax valuation allowance charge

Asset useful life accounting change impacted 3<sup>rd</sup> and 4<sup>th</sup> quarters

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## Restructuring and Accelerated Depreciation Impact

(\$ in Billions)

	<u>2004</u>	<u>2005</u>
<b>Accel. Depr./Impairments</b>	<b>\$0.3</b>	<b>\$0.6</b>
<b>Severance</b>	<b>0.5</b>	<b>0.5</b>
<b>Exit Cost</b>	<b>0.1</b>	<b>0.1</b>
<b>Total Restructuring</b>	<b>\$0.9</b>	<b>\$1.1</b>
<b>Cash Payments</b>	<b>\$0.5</b>	<b>\$0.6</b>

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# Internal Control Issues

**Income Taxes**

**Pension / Benefits**

**Spreadsheet Controls**

Company's material weakness remediation plans remain on track

Final results will be reported in our 10K

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# 2006 Plan

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## 2006 Plan

### **The Transformation continues to progress**

### **Reorganization of DFIS creating two new segments**

CDG Consumer Digital Imaging Group

FPG Film and Photofinishing Systems Group

### **Discontinuance of LIFO accounting**

### **Incorporation of subsidiaries into the corporate allocation process**

Therefore, 2005 requires Pro Forma presentation for 2006 comparability



# New Segment Structure

## FPG

Film &  
Photofinishing  
Systems Group

- Film & Photo-f  
finishing  
Services
- Pro Output
- Consumer  
Output
- Aerial  
Imaging
- Entertain-  
ment  
Imaging

## CDG

Consumer  
Digital Imaging  
Group

- Digital  
Capture
- Home  
Printing
- Inkjet  
Systems
- Imaging  
Sensor  
Solutions
- Gallery
- Kiosks

## KHG

Kodak  
Health Group

- Healthcare  
Information  
Solutions
- Output  
Systems
- Digital  
Capture
- Dental

## GCG

Graphic  
Communications  
Group

- Workflow  
& Prepress
- Digital  
Printing
- Consumables
- Global  
Services
- Professional  
Services
- Commercial  
Inkjet
- Document  
Products
- Imaging Svcs.

## Other

- Display  
Technology
- OLED
- Other

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## Pro Forma Changes – Digital EFO

(\$ in Millions)

	<u><b>2005</b></u>
<b>Actual Digital EFO</b>	<b>\$118</b>
<b>Product Structure Changes</b>	<b>7</b>
<b>LIFO</b>	<b>–12</b>
<b>Corporate Reallocations</b>	<b>–27</b>
<b>Pro Forma Digital EFO</b>	<b>\$86</b>

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## 2006 Key Metrics

(\$ in Millions)

	<b><u>2005 Pro Forma</u></b>	<b><u>2006 Plan</u></b>
<b>Digital Revenue Growth</b>	<b>45%*</b>	<b>16% - 22%</b>
<b>Digital EFO</b>	<b>\$86</b>	<b>\$350 - \$450</b>
<b>Investable Cash Flow</b>	<b>\$728</b>	<b>\$400 - \$600</b>

\* Corrected from 1/30/06 presentation

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## Pro Forma Changes – Digital Revenue

(\$ in Billions)

**2005**

**Actual**

**\$ 7.7**

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**Product Structure Changes\***

**– 0.3**

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**Pro Forma**

**\$ 7.4**

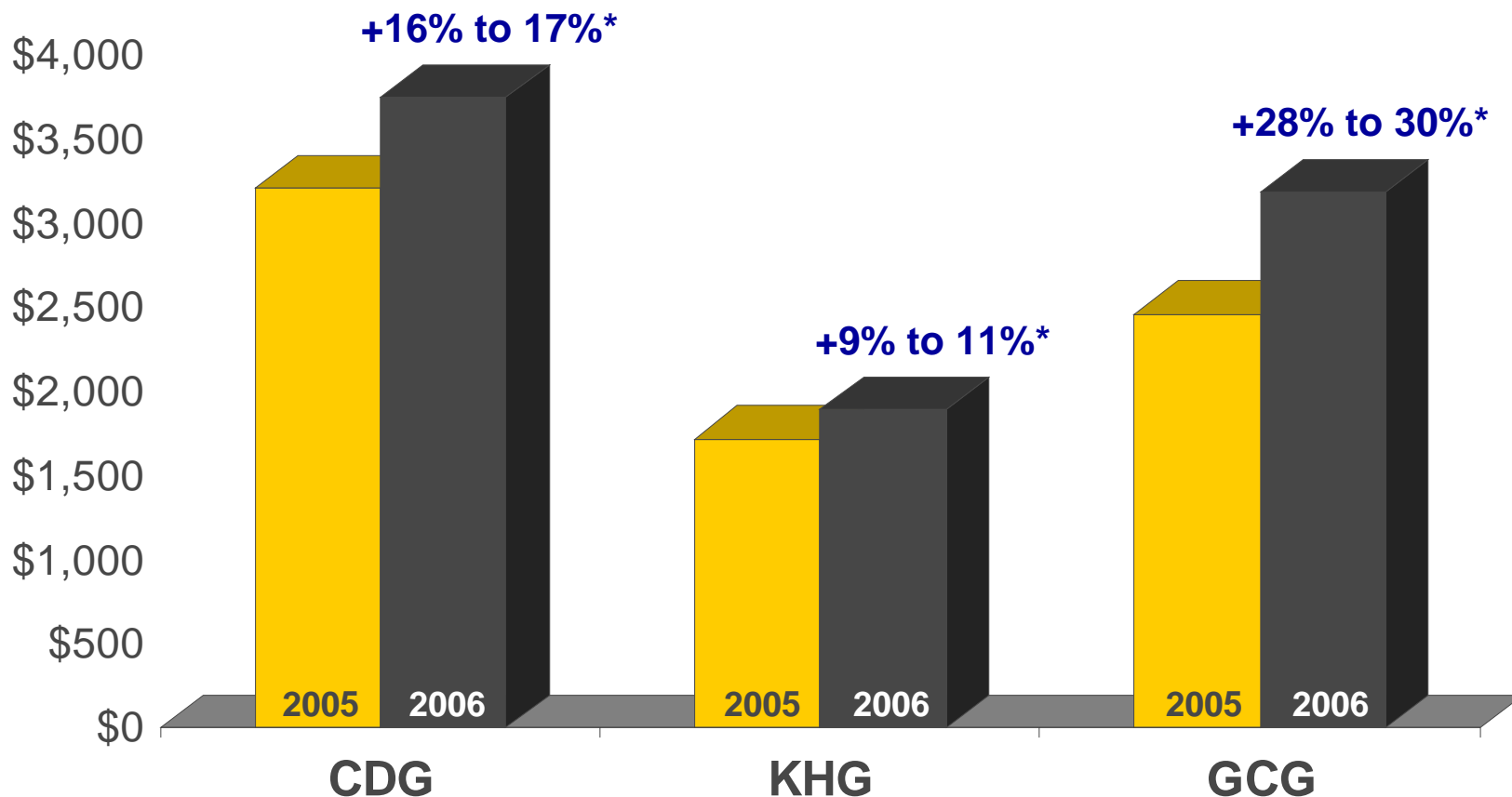
\* Product reclassifications to align with the new operating structure; primarily the creation of the Consumer Digital Imaging Group

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# Digital Revenue by Segment

(\$ in Millions)



2005 results are presented on a Pro Forma basis to align with 2006 product structure and policies

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\* 2006 Growth Rate

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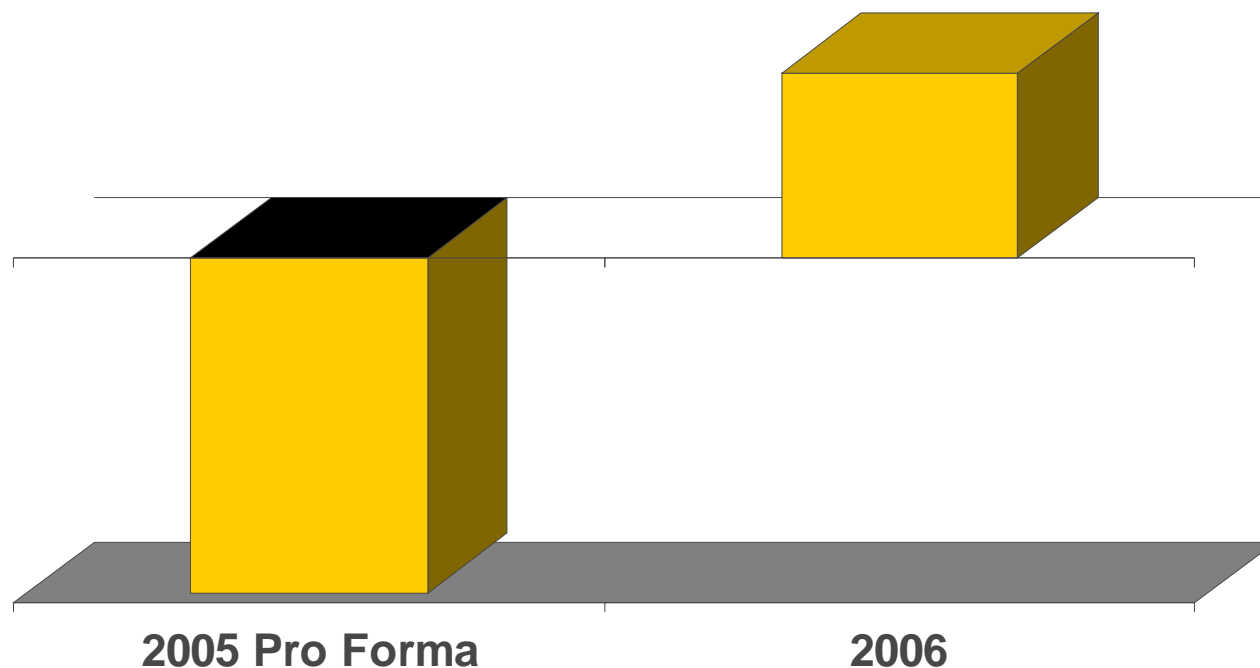
## 2006 Digital Earnings Seasonality

**CDG**    **Heavily weighted to 4<sup>th</sup> Quarter**

**KHG**    **Distributed evenly throughout the year**

**GCG**    **Integration activities weight earnings to latter part of year**

## Consumer Digital Imaging Group – Digital EFO



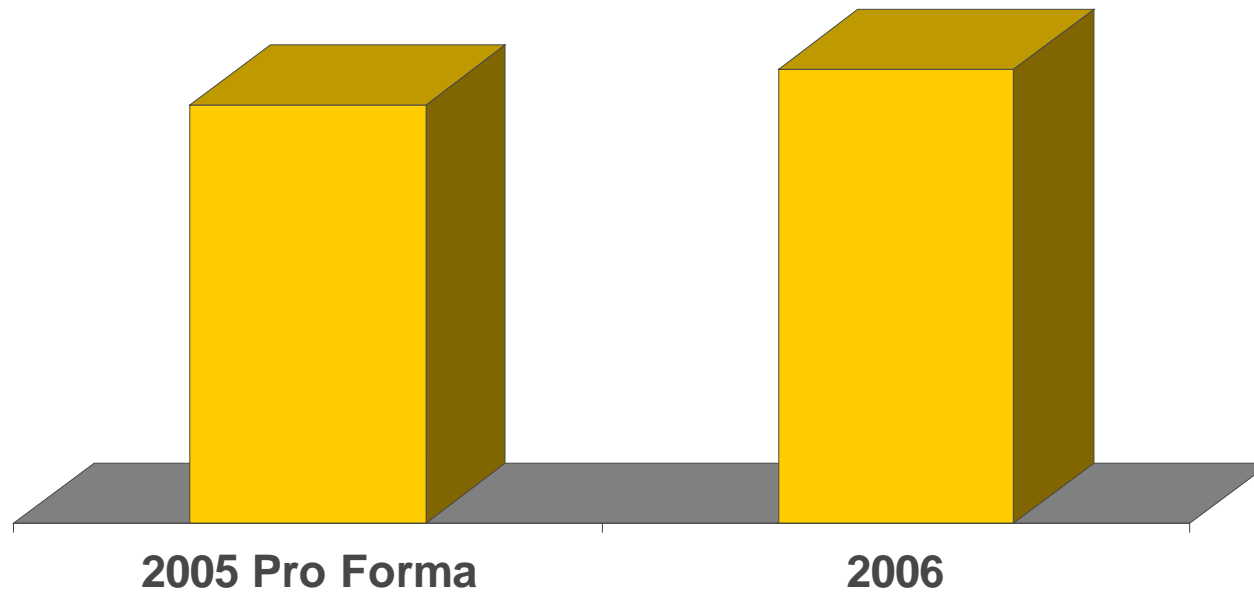
Digital capture earnings will improve by continued leveraging of the cost structure, platforms, royalties and infrastructure

Strength of Output placements sets the stage for improved earnings in 2006

CDG accounts for ~50% of the year-over-year Digital EFO growth

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## Kodak Health Group – Digital EFO



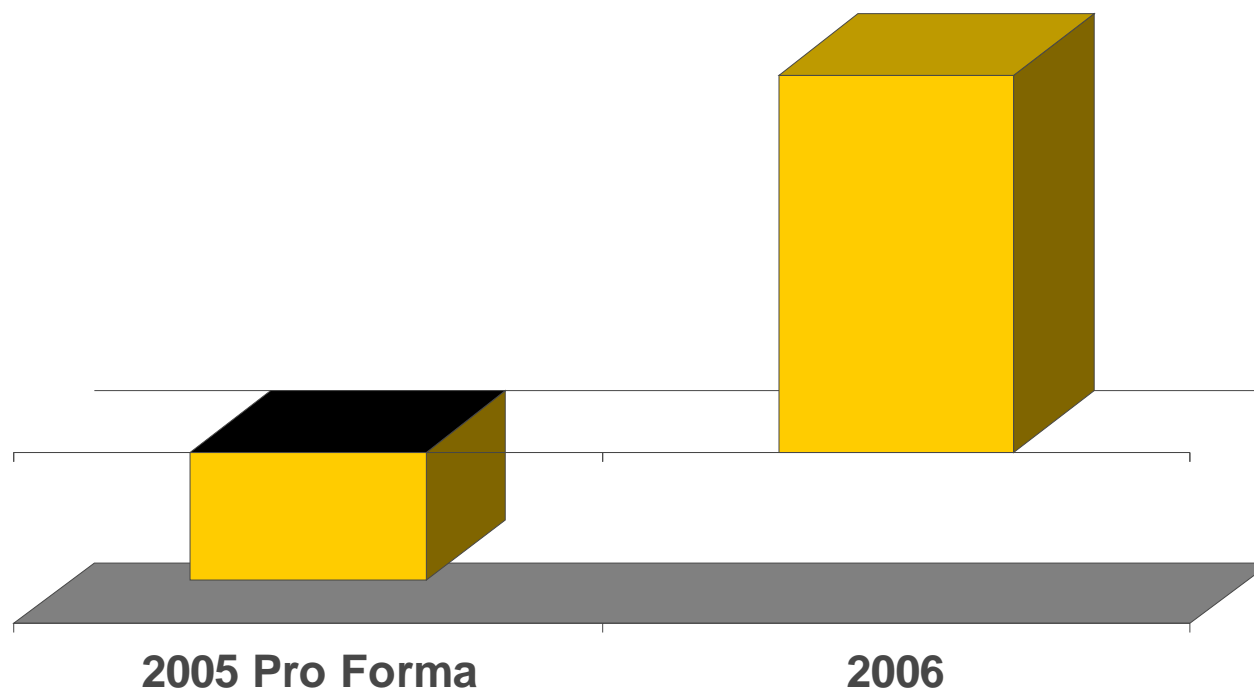
Large digital output business in decline

Digital Capture margins improving

HCIS profitability improving and gaining scale



## Graphic Communications Group – Digital EFO



Integration going well; \$70M-\$85M cumulative savings anticipated in 2006

GCG accounts for ~50% of the year-over-year Digital EFO growth

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## Cost Progress

### **Most manufacturing downsizing finished in 2007**

Assumes a Traditional business of \$3B-\$4B in revenues

### **Segment Go-To-Market models being right-sized to new product structure**

Implementation substantially complete by the end of 2006

### **Continue corporate cost reductions following product structure changes**

Anticipated full alignment by mid-2007

### **Looking for 1-2 percentage points SG&A reduction each remaining year of the transformation**

2005 SG&A % of revenue: 18.6%

2006 Plan down ~1 percentage point of revenue

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## 2006 Cash Plan

Investable Cash	\$400M-\$600M
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### **Continue to manage working capital**

Receivables grow with business, aggressive on Past Due

Plan to reduce inventories \$200M or more

### **Monetizing assets freed up by restructuring remains a priority (timing uncertain)**

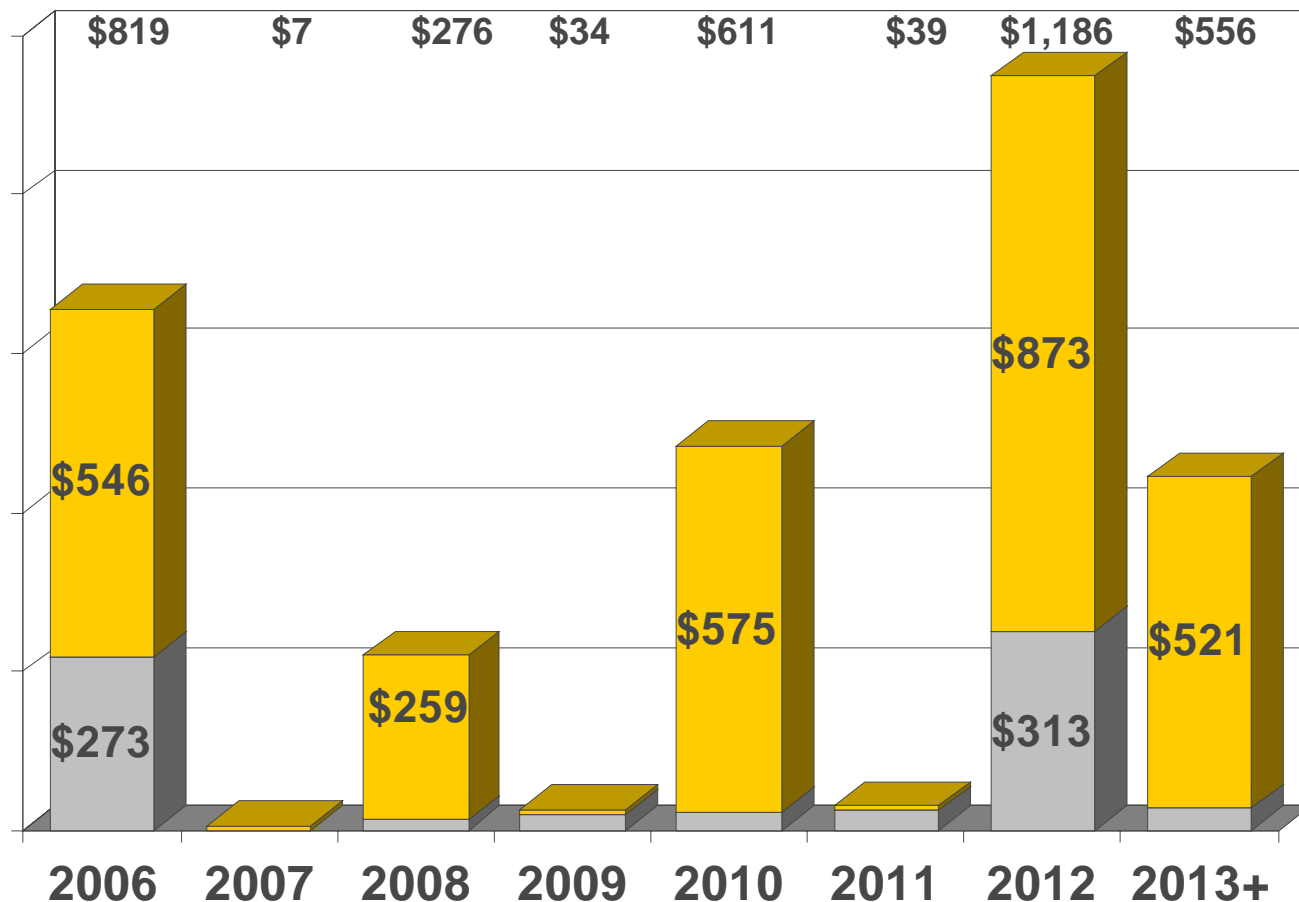
**Plan to control cash restructuring to ~\$650M**

**Debt repayment of \$800M**

**No significant acquisitions are planned and our dividend policy remains unchanged**

# Debt Maturity Schedule

As of December 31, 2005  
(\$ in Millions)



**Total: \$3,528**

**U.S.**  
Total: **\$2,804**

**Non-U.S.**  
Total: **\$724**

Manageable debt outlook

2006 debt maturities are primarily June and September

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## 2006 Cash Flow Objectives

(\$ in Billions)

<b>2005 Cash Balance</b>	<b>\$1.7B</b>
<hr/>	
<b>Investable Cash</b>	<b>0.4 - 0.6</b>
<hr/>	
<b>Debt Repayment</b>	<b>– 0.8</b>
<hr/>	
<b>2006 Cash Balance</b>	<b>\$1.3B - \$1.5B</b>

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## New Debt Covenant Exposure

	<b><u>12/05 Actual</u></b>	<b><u>12/05 Covenant</u></b>
<b>Debt to EBITDA*</b>	<b>2.80</b>	<b>&lt; 4.75</b>
<hr/>		
<b>EBITDA* to Interest</b>	<b>6.40</b>	<b>&gt; 3.00</b>
<hr/>		

Watching closely

Adequate headroom under the covenant

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\* EBITDA is a non-GAAP measure

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## 2006 Below EFO and Tax Rate

### BEFO

**Interest expense increasing year-over-year**

**Mix of assets monetized in 2006 will determine the impact on other income and charges**

### Tax Rate

**2005 GAAP effective Tax Rate (–92%) not helpful for analyzing the business**

**2006 tax situation, excluding Tax Valuation charge, expected to be similar to 2005**

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## 2006 Key Messages

**Much of transition complete in 2006; remainder in 2007**

**Digital EFO growth accelerates and contributes to cash**

**Cash position remains stable**

**Debt reductions begin**



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# Antonio Perez

Chairman & CEO

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## Perspective on 2006

### **2006 will see appropriate balance between "Share Of Market" and "Share of Profit"**

4 year Transformation Path

#### **First 2 years**

1. Focus on cash
2. Built digital businesses of necessary scale
3. Digital operating margins subordinated to revenue growth

#### **Second 2 years**

1. Cash focus continues
2. Revenue growth subordinated to digital operating margin expansion
3. Continue to grow digital revenue

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## Perspective on 2006

### **Success in initial goals – we've come a long way**

Cash goals exceeded

Substantial businesses established in key digital markets –  
Commercial & Consumer

- Creates market power & retailer/supplier leverage
- Permits platform design activity
- Brand successfully transferred

Digital market success demonstrated

**Increased focus on operating margin expansion**

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## How Do We Expand Digital Margins?

<b>Digital Model</b>	<b><u>2005*</u></b>	<b><u>2006</u></b>
	% of Sales	
<b>Gross Profit</b>	<b>28%</b>	<b>28-29%</b>
<b>R&amp;D</b>	<b>8%</b>	<b>7-6%</b>
<b>SG&amp;A</b>	<b>19%</b>	<b>17-18%</b>
<b>EFO</b>	<b>1%</b>	<b>4-5%</b>
* 2005 Pro Forma for 2006 structure		

# Operating Margin Expansion

## Graphic Communications Group

Achieve forecasted cumulative \$70 to \$85 million integration savings in 2006 (rising to cumulative ~\$140 million in 2007) plus top line expansion

NexPress will achieve "run-rate" break-even or better profitability by year end – ahead of original schedule

Prepress consumables gross margins benefit from migration to digital

Versamark installed base continues to grow, increasing annuity stream



Forecasting significant YOY digital earnings growth

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# Operating Margin Expansion

## Health Group

Major organization change to address issues

- Disrupted business in 3Q/4Q
- Building Momentum for 2006

Drive scale of digital business

- Health Care Information Systems
  - Build on “show site” successes
  - Continue to improve implementation process
- Digital capture
  - Leverage new DR offering
- Digital dental products

Focus on price management & cost reduction

Forecasting essentially flat YOY earnings



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# Operating Margin Expansion

## Consumer Digital Imaging Group

Implement more efficient “Go To Market” model

Focus on increasing consumables flow through hardware

Improve product mix through innovation, platform design, product timing and COGS performance

Expand mobile phone opportunity

Leverage value-creating partnerships



Forecasting substantial YOY earnings improvement:  
movement from loss to profitability

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## 2006 Focus

**Increase digital earnings to \$350 million - \$450 million**

Emphasize profitable growth

**Continue successful restructuring program**

**Continue cost efforts toward target business model**

Consumer Digital  
Imaging Group



Health Group



Graphic  
Communications Group



Film and Photofinishing  
Systems Group



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## Summary

**We have come a long way**

**We have proven ability to succeed in digital markets**

**Focus moves to operating margin expansion**

**Strong momentum increases my confidence in 2006 outcomes**

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# Questions & Answers

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## APPENDIX

### Reconciliation of Non-GAAP Financial Measures to Comparable GAAP Measures

In its January 30, 2006 Investor Meeting presentation, Eastman Kodak Company (“Kodak”) referenced certain financial measures that are deemed to be non-GAAP financial measures, such as: “Digital Revenue Growth”, “DFIS Digital Revenue Growth”, “GCG Digital Revenue Growth”, “KHG Digital Revenue Growth”, “Digital EFO”, “Investable Cash Flow”, “Last Four Months’ Revenue as a Percentage of Total 2005 Revenue”, “Digital Revenue Pro Forma Changes”, “Projected Digital Earnings”, “CDG, KHG & GCG Pro Forma Digital Revenue”, “CDG, KHG & GCG Digital EFO”, “EBITDA”, “Interest Expense”, “Digital Gross Profit as a Percent of Sales”, “Digital Research & Development as a Percent of Sales”, “Digital SG&A Costs as a Percent of Sales” and “Digital EFO Before Restructuring as a Percent of Sales”. Kodak has prepared, the following Appendix in order to provide investors with a reconciliation of these non-GAAP measures to the comparable GAAP measures.

The Company believes that these non-GAAP measures represent important internal measures of performance. Accordingly, where they are provided, it is to give investors the same financial data management uses with the belief that this information will assist the investment community in properly assessing the underlying performance of the Company, its financial condition, results of operations and cash flow on a year-over-year basis.

The following reconciliations are provided with respect to terms used in the January 30, 2006 presentations of Kodak’s Chief Financial Officer, Bob Brust, and Chief Executive Officer, Antonio Perez.

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## **Digital Revenue Growth**

The Digital Revenue Growth information provided to investors is presented on a stand-alone basis. Because of the presentation of this amount on a stand-alone basis, this Digital Revenue Growth information represents a non-GAAP measure. The table below reconciles Digital Revenue Growth to Total Company Revenue Growth on a GAAP basis:

	<b><u>2004 Actual</u></b>	<b><u>2005 Actual</u></b>	<b><u>2005 Pro Forma</u></b>	<b><u>2006 Plan</u></b>
Digital Revenue Growth, as presented	39%	40%	45%	16%-22%
Traditional Revenue Decline*	(11)%	(18)%	(18)%	(22)%-(16)%
New Technologies Revenue Growth*	<u>37%</u>	<u>17%</u>	<u>24%</u>	<u>      </u> *
Total Company Revenue Growth (GAAP basis)	5%	6%	6%	(2)%-4%

\* *Traditional Revenue Decline  
includes New Technologies*

## **DFIS Digital Revenue Growth**

The DFIS Digital Revenue Growth information provided to investors is presented on a stand-alone basis. Because of the presentation of this amount on a stand-alone basis, this DFIS Digital Revenue Growth information represents a non-GAAP measure. The table below reconciles DFIS Digital Revenue Growth to Total DFIS Revenue Decline on a GAAP basis:

	<b><u>2005 Actual</u></b>
DFIS Digital Revenue Growth, as presented	29%
DFIS Traditional Revenue Decline	<u>(39)%</u>
Total DFIS Revenue Decline (GAAP basis)	(10)%

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## **GCG Digital Revenue Growth**

The GCG Digital Revenue Growth information provided to investors is presented on a stand-alone basis. Because of the presentation of this amount on a stand-alone basis, this GCG Digital Revenue Growth information represents a non-GAAP measure. The table below reconciles GCG Digital Revenue Growth to Total GCG Revenue Growth on a GAAP basis:

	<b><u>2005</u></b> <b><u>Actual</u></b>
GCG Digital Revenue Growth, as presented	131%
GCG Traditional Revenue Decline	<u>(9)%</u>
Total GCG Revenue Growth (GAAP basis)	122%

## **KHG Digital Revenue Growth**

The KHG Digital Revenue Growth information provided to investors is presented on a stand-alone basis. Because of the presentation of this amount on a stand-alone basis, this KHG Digital Revenue Growth information represents a non-GAAP measure. The table below reconciles KHG Digital Revenue Growth to Total KHG Revenue Growth on a GAAP basis:

	<b><u>2005</u></b> <b><u>Actual</u></b>
Health Group Digital Revenue Growth, as presented	1%
Health Group Traditional Revenue Decline	<u>(2)%</u>
Total Health Group Revenue Growth (GAAP basis)	(1)%

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## **Digital EFO**

The Digital EFO information provided to investors is presented on a stand-alone basis. Because of the presentation of this amount on a stand-alone basis, this Digital EFO information represents a non-GAAP measure. The table below reconciles Digital EFO to Loss From Continuing Operations before Interest, Other Income (Charges), Net, and Income Taxes (dollars in millions):

	<b><u>2005</u></b> <b><u>Actual</u></b>
Digital EFO, as presented	\$118
Traditional & New Technologies EFO	<u>429</u>
Total Segments' EFO	547
Corporate Items:	
Restructuring Costs	(1,134)
Legal Settlement	<u>(7)</u>
Total Corporate Items	(1,141)
Loss from Continuing Operations Before Interest, Other Income (Charges), Net, and Income Taxes (GAAP basis)	\$(594)

## **Investable Cash Flow**

The Investable Cash Flow information provided to investors represents on a non-GAAP measure. The table below reconciles Investable Cash Flow to Net Cash Provided by Continuing Operations on a GAAP basis (dollars in millions):

	<b><u>2005</u></b> <b><u>Actual</u></b>	<b><u>2006</u></b> <b><u>Plan</u></b>
Investable Cash Flow, as presented	\$728	\$400-\$600
Additions To Properties, Net Proceeds From Sales Of Businesses/Assets, Distributions From/(Investments In) Unconsolidated Affiliates and Dividends	<u>452</u>	<u>400</u>
Net Cash Provided by Continuing Operations (GAAP basis)	\$1,180	\$800-\$1,000



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### **Last Four Months' Revenue as a Percentage of Total 2005 Revenue**

The Last Four Months' Revenue as a Percentage of Total 2005 Revenue information provided to investors represents a non-GAAP measure. The table below reconciles the Last Four Months' Revenue as a Percentage of Total 2005 Revenue to Total Company Revenue on a GAAP basis:

	<b><u>2005</u></b>
Last Four Months' Revenue as a Percentage of Total 2005 Revenue, as presented	39%
First Eight Months' Revenue as a Percentage of Total 2005 Revenue	<u>61%</u>
Total Company Revenue (GAAP basis)	100%

### **Digital Revenue Pro Forma Changes**

The Digital Revenue Pro Forma Changes information provided to investors represent non-GAAP measures. The table below reconciles Digital Revenue Pro Forma Changes to Total Company Revenue on a GAAP basis (dollars in billions):

	<b><u>2005 Actual</u></b>
Digital Revenue Pro Forma Changes, as presented	\$7.7
Traditional & New Technologies Revenue, Pro Forma	<u>6.6</u>
Total Company Revenue (GAAP basis)	\$14.3



## **Projected Digital Earnings**

The following table reconciles Projected Digital Earnings for 2006, as presented, to the most directly comparable GAAP measure of Total Consolidated Loss From Operations on a GAAP basis (dollar amounts in millions):

	<b><u>2006 Plan</u></b>
Projected Digital Earnings, as presented	\$350-\$450
Traditional Earnings, New Technologies Earnings and Restructuring Costs	<u>(1,200)-(950)</u>
Total Consolidated Loss From Operations (GAAP basis)	<u>\$(850)-\$(500)</u>

## **CDG, KHG & GCG Pro Forma Digital Revenue**

The CDG, KHG & GCG Pro Forma Digital Revenue information provided to investors represents a non-GAAP measure. The table below reconciles CDG, KHG & GCG Pro Forma Digital Revenue to Total Company Revenue on a GAAP basis (dollars in billions):

	<b><u>2005 Actual</u></b>	<b><u>Pro Forma Adjustments</u></b>	<b><u>2005 Pro Forma</u></b>	<b><u>2006 Plan</u></b>	<b><u>2006 Plan</u></b>
CDG Digital Revenue, as presented	\$ -	\$3.2	\$3.2	16%-17%	\$ 3.7
DFIS Digital Revenue	3.4	(3.4)	-	- %	-
KHG Digital Revenue, as presented	1.7	-	1.7	9%-11%	1.9
GCG Digital Revenue, as presented	2.5	-	2.5	28%-30%	3.2-3.3
Other Digital Revenue	<u>.1</u>	<u>(.1)</u>	<u>-</u>	<u>- %</u>	<u>-</u>
Digital Revenue, as presented	7.7	(.3)	7.4	16%-22%	\$8.6-9.0
Traditional & New Technologies Revenue	<u>6.6</u>	<u>.3</u>	<u>6.9</u>	<u>(22)%-(16)%</u>	<u>5.4-5.8</u>
Total Company Revenue (GAAP basis)	\$14.3	\$ -	\$14.3	(2)%-4%	\$14.0-\$14.8



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## **EBITDA**

The EBITDA information provided to investors represents a non-GAAP measure. The table below reconciles EBITDA to Loss From Continuing Operations Before Interest, Other Income (Charges), Net, and Income Taxes (dollars in millions):

	<b><u>2005</u></b> <b><u>Actual</u></b>
EBITDA, as included in Debt to EBITDA Calculation	\$1,260
Depreciation and Amortization	(1,418)
Restructuring Charges (Non-Cash) and Asset Write-offs/Impairments	(379)
Other Adjustments, Net	<u>(57)</u>
Loss From Continuing Operations Before Interest, Other Income (Charges), Net, and Income Taxes (GAAP basis)	\$ (594)

## **Interest Expense**

The Interest Expense information, as included in the Interest Coverage Ratio, provided to investors represents a non-GAAP measure. The table below reconciles this Interest to Interest Expense on a GAAP basis (dollars in millions):

	<b><u>2005</u></b> <b><u>Actual</u></b>
Interest Expense, as included in Interest Coverage Ratio	\$ 198
Adjustments to Interest Expense for Purpose of the Covenant Calculation	<u>13</u>
Interest Expense (GAAP basis)	\$ 211

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### **Digital Gross Profit as a Percent of Sales**

The Digital Gross Profit as a Percent of Sales information provided to investors is presented on a stand-alone basis. Because of the presentation of this amount on a stand-alone basis, this Digital Gross Profit as a Percent of Sales information represents a non-GAAP measure. The table below reconciles Digital Gross Profit as a Percent of Sales to Total Company Gross Profit as a Percent of Sales on a GAAP basis:

	<b><u>2005</u></b> <b><u>Pro Forma</u></b>	<b><u>2006</u></b> <b><u>Plan</u></b>
Digital Gross Profit as a Percent of Sales, as presented	28%	28%-29%
Impact of Pro Forma Adjustments	<u>(1)%</u>	<u>N/A</u>
Digital Gross Profit as a Percent of Sales, Actual	27%	28%-29%
Traditional and New Technologies Gross Profit as a Percent of Sales	<u>31%</u>	<u>24%-25%</u>
Total Company Gross Profit as a Percent of Sales (GAAP basis)	25%	27%-28%

### **Digital Research & Development Costs as a Percent of Sales**

The Digital Research & Development Costs as a Percent of Sales information provided to investors is presented on a stand-alone basis. Because of the presentation of this amount on a stand-alone basis, this Digital Research & Development Costs as a Percent of Sales information represents a non-GAAP measure. The table below reconciles Digital Research & Development Costs as a Percent of Sales to Total Company Research & Development Costs as a Percent of Sales on a GAAP basis:

	<b><u>2005</u></b> <b><u>Pro Forma</u></b>	<b><u>2006</u></b> <b><u>Plan</u></b>
Digital Research & Development Costs as a Percent of Sales, as presented	8%	6%-7%
Traditional and New Technologies Research & Development Costs as a Percent of Sales	<u>4%</u>	<u>4%-5%</u>
Total Company Research & Development Costs as a Percent of Sales (GAAP basis)	6%	4%-6%



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### **Digital SG&A Costs as a Percent of Sales**

The Digital SG&A Costs as a Percent of Sales information provided to investors is presented on a stand-alone basis. Because of the presentation of this amount on a stand-alone basis, this Digital SG&A Costs as a Percent of Sales information represents a non-GAAP measure. The table below reconciles Digital SG&A Costs as a Percent of Sales to Total Company SG&A Costs as a Percent of Sales on a GAAP basis:

	<b><u>2005</u></b> <b><u>Pro Forma</u></b>	<b><u>2006</u></b> <b><u>Plan</u></b>
Digital SG&A Costs as a Percent of Sales, as presented	19%	17%-18%
Impact of Pro Forma Adjustments	<u>(1)%</u>	<u>N/A</u>
Digital SG&A Costs as a Percent of Sales, Actual	18%	17%-18%
Traditional and New Technologies SG&A Costs as a Percent of Sales	<u>20%</u>	<u>16%-18%</u>
Total Company SG&A Costs as a Percent of Sales (GAAP basis)	19%	17%-18%

### **Digital EFO Before Restructuring as a Percent of Sales**

The Digital EFO Before Restructuring as a Percent of Sales information provided to investors is presented on a stand-alone basis. Because of the presentation of this amount on a stand-alone basis, this Digital EFO Before Restructuring as a Percent of Sales information represents a non-GAAP measure. The table below reconciles Digital EFO Before Restructuring as a Percent of Sales to Loss From Continuing Operations before Interest, Other Income (Charges), Net, and Income Taxes:

	<b><u>2005</u></b> <b><u>Pro Forma</u></b>	<b><u>2006</u></b> <b><u>Plan</u></b>
Digital EFO Before Restructuring as a Percent of Sales, as presented	1 %	4%-5%
Traditional EFO & New Technologies EFO and Restructuring as a Percent of Sales	<u>(11)%</u>	<u>(26)%-(24)%</u>
Loss From Continuing Operations before Interest, Other Income (Charges), Net, and Income Taxes (GAAP basis)	(4) %	(8)%-(6)%

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