EASTMAN KODAK CO
Form 10-K
March 07, 2017

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended December 31, 2016 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to_____

Commission File Number 1-87

EASTMAN KODAK COMPANY

(Exact name of registrant as specified in its charter)

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| NEW JERSEY<br>(State of incorporation) | 16-0417150<br>(IRS Employer Identification No.) |
| 343 STATE STREET, ROCHESTER, NEW YORK<br>(Address of principal executive offices) | 14650<br>(Zip Code) |

Registrant's telephone number, including area code:585-724-4000

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, $0.01 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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|---|---|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer | Smaller reporting company |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2016 was approximately $171 million. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of March 1, 2017 was 42,430,666 shares of common stock.

Eastman Kodak Company

Form 10-K

December 31, 2016

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# PART I

## ITEM 1. BUSINESS

When used in this report, unless otherwise indicated by the context, "we," "our," "us," and "Kodak" refer to the consolidated company on the basis of consolidation described in Note 1 to the consolidated financial statements in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K Report. Also, unless otherwise indicated by the context, "EKC" means the parent company, Eastman Kodak Company (the "Company").

Kodak provides directly and through partnerships with other innovative companies hardware, software, consumables and services to customers in graphic arts, commercial print, publishing, packaging, electronic displays, entertainment and commercial films, and consumer products markets. With its world-class R&D capabilities, innovative solutions portfolio and highly trusted brand, Kodak is helping customers around the globe to sustainably grow their own businesses and enjoy their lives.

Kodak is a global commercial printing and imaging company with proprietary technologies in materials science, digital imaging science and software, and deposition processes (methods whereby one or more layers of various materials in gaseous, liquid or small particle form are deposited on a substrate in precise quantities and positions). Kodak leverages its core technology products and services to develop solutions for the product goods packaging and graphic communications markets, and is commercializing products for the functional printing market. Kodak also offers brand licensing and intellectual property opportunities, provides products and services for motion pictures and other commercial films, and sells ink to its existing installed consumer inkjet printer base.

The Company was founded by George Eastman in 1880 and incorporated in 1901 in the State of New Jersey. Kodak is headquartered in Rochester, New York.

## REPORTABLE SEGMENTS

Kodak has seven reportable segments: Print Systems, Micro 3D Printing and Packaging, Software and Solutions, Consumer and Film, Enterprise Inkjet Systems, Intellectual Property Solutions and Eastman Business Park. The balance of Kodak's continuing operations, which do not meet the criteria of a reportable segment, are reported in All Other which primarily represents the RED utilities variable interest entity until deconsolidation in December 2016 (refer to Note 1, "Summary of Significant Accounting Policies").

Information on Kodak's revenues and long-lived assets by geographic area as well as revenues and earnings by reportable segment for each of the past three years are shown in Note 24, "Segment Information," in the Notes to Financial Statements.

### Print Systems

The Print Systems segment is comprised of Prepress Solutions, which includes Kodak's digital offset plate offerings and computer-to-plate imaging solutions, and Electrophotographic Printing Solutions, which offers high-quality digital printing solutions using electrically charged toner based technology. The Print Systems segment provides digital and traditional product and service offerings to a variety of commercial industries, including commercial print, direct mail, book publishing, newspapers and magazines and packaging. While the businesses in this segment are experiencing pricing pressure, continued innovations in Kodak product lines that can command premium prices offset some of the long term market price erosion.

Prepress Solutions capitalizes on a contract-based, stable and recurring cash flow-generative business model. The average duration of customer contracts is two years. These contracts offer stability and generate recurring revenue. The core of the business is the manufacturing of aluminum digital printing plates of varying sizes. These plates can be as small as 23cm x 27cm and as large as 126cm x 287cm. Unexposed plates are sold to commercial printing companies for use in the offset printing process. Kodak also manufactures equipment, known as Computer to Plate ("CTP") equipment, which images the plates with a laser. The plates are used in the offset printing process, which transfers ink from the plate onto a rubber blanket and then onto the substrate to be printed. Due to the nature of the imaging and printing process, a new plate must be used for each printing run. As a result, there is a recurring revenue stream from the sale of these plates.

The Print Systems products and services are sold globally to customers through both a direct sales team as well as indirectly through dealers. Primary competitors are Fuji and Agfa. Kodak expects to benefit from current industry trends, including customers' increasing focus on sustainability initiatives, which strengthens demand for Kodak's process-free solutions.

- Prepress Solutions:
  - Digital offset plates, including KODAK SONORA Process Free Plates. KODAK SONORA Process Free Plates are prepared directly with a CTP thermal output device and do not require subsequent processing chemistry, processing equipment or chemical disposal. As a result, the plates deliver cost savings and efficiency for customers and promote environmental sustainability practices.
  - CTP output devices that are used by customers to transfer images onto aluminum offset printing plates and provide consistent and high quality imaging for offset press applications. CTP products provide high resolution, consistency and stability in thermal imaging. Kodak also offers a lower cost CTP system using TH5 imaging technology, which provides a highly efficient and cost-effective imaging solution at a lower price point.
  - Net sales for Prepress Solutions accounted for 56%, 54% and 51% of total net revenue for the years ended December 31, 2016, 2015 and 2014, respectively.

- Electrophotographic Printing Solutions:
  - NEXPRESS printers produce high-quality, differentiated printing of short-run, personalized print applications, such as direct mail, books, marketing collateral and photo products.
  - DIGIMASTER printers use monochrome electrophotographic printing technology for transactional printing, short-run books, corporate documentation, manuals and direct mail.
  - Net sales for Electrophotographic Printing Solutions accounted for 10%, 11% and 10% of total net revenue for the years ended December 31, 2016, 2015 and 2014, respectively.

The Print Systems segment also provides service and support related to these products.

Micro 3D Printing and Packaging

The Micro 3D Printing and Packaging segment includes flexographic printing equipment and plates and related consumables and services, as well as printed functional materials and components. Micro 3D Printing seeks to provide innovative printing techniques to customers for both premium marketing applications and manufacturing applications. Because Micro 3D Printing products are in the process of being commercialized, a higher degree of investment is required. Micro 3D Printing and Packaging products are sold directly by Kodak and indirectly through dealers.

- Micro 3D Printing
  - The Micro 3D Printing products have the potential to offer many advantages over traditionally manufactured products, including lower cost points and avoidance of environmental impacts associated with the mining of a rare metal. Kodak achieved an initial launch into the large format market in 2016, and is making technical advancements to broaden addressable markets in 2017. The touch panel sensor industry is served by many technologies with overlapping applications being fulfilled by multiple suppliers, both global and local.
- Packaging

  - The Flexographic Packaging business consists of flexographic printing equipment and related consumables and services, which enable graphic customization of a wide variety of packaging materials. The FLEXCEL NX system provides imaging devices to deliver high productivity and consistency, as well as a full tonal range for flexographic printing. The industry is highly competitive. The most significant competitors are Esko-Graphics BVBA and Dainippon Screen Mfg. Co., Ltd. for imaging equipment and Asahi Kasei Corporation, E.I. du Pont de Nemours and Company, Flint Group S.A., Fuji, MacDermid Incorporated, Toray Industries, Inc. and Toyobo Co., Ltd. for consumables. Competition is based on quality, technology, performance, price, reliability, brand, reputation, range of products and services, and service and support.

Software and Solutions

The Software and Solutions segment is comprised of Unified Workflow Solutions and Kodak Technology Solutions, which includes enterprise services and solutions. Unified Workflow Solutions is an established product line whereas Kodak Technology Solutions includes growing product lines that leverage existing Kodak technologies and intellectual property in new applications. The contributions these business initiatives make to earnings is expected to grow with a modest amount of additional investment. Software and Solutions products and services are sold directly by Kodak and indirectly through dealers. Sales in Software and Solutions are project-based and can vary from year to year depending on the nature and number of projects in existence that year.

- Unified Workflow Solutions

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Unified Workflow Solutions offers a leading suite of solutions for print production workflow, including the PRINERGY workflow production software, by providing customer value through automation, web integration and integration with other Kodak systems and third-party offerings. Production workflow software is used by customers to manage digital and conventional print content from file creation to output. Production workflow software manages content and color, reduces manual errors and helps customers manage the collaborative creative process. Kodak believes it is a leader in production workflow solutions for the commercial print and packaging industries with over 15,000 systems installed in some of the largest printing and packaging establishments around the world. The markets that Unified Workflow Solutions serves are highly competitive. Key customer segments each face competitive market pressure in pricing and new product introduction. Primary competitors include Heidelberg, Agfa, Fuji, and Esko.

• Kodak Technology Solutions

• Kodak Technology Solutions assists organizations with challenges and opportunities created by the worldwide digital transformation. It provides print and managed media services that assist customers with solutions for their printing requirements and document management services, including expertise in the capture, archiving, retrieval and delivery of documents. Kodak Technology Solutions serves enterprise customers primarily in the government and financial services sectors. Digitization and document management services are provided by a variety of players, both global and local, in a market that varies significantly in terms of quality and pricing of services provided.

Consumer and Film

The Consumer and Film segment is comprised of three lines of business: Motion Picture, Industrial Films and Chemicals; Consumer Inkjet Solutions; and Consumer Products. Consumer and Film products are distributed directly by Kodak and indirectly through dealers. Two Industrial Films and Chemicals customers represent approximately 30 percent of total Consumer and Film segment revenues.

- Motion Picture, Industrial Films and Chemicals:
  - Includes the motion picture film business serving the entertainment and advertising industries. Motion picture products are sold directly to studios, laboratories and independent filmmakers.
  - Offers industrial films, including films used by the electronics industry to produce printed circuit boards. Primary competitors are Fuji and Agfa.
  - The business also includes related component businesses: Polyester Film; Solvent Recovery; and Specialty Chemicals, Inks and Dispersions.
  - Net sales for Motion Picture, Industrial Chemicals and Films accounted for 11%, of total net revenue for each of the years ended December 31, 2016, 2015 and 2014.
- Consumer Inkjet Solutions:
  - Involves the sale of ink to an existing installed base of consumer inkjet printers.
- Consumer Products:
  - Includes licensing of Kodak brands to third parties and consumer products such as the Super 8 camera. Kodak currently licenses its brand for use with a range of consumer products including batteries, cameras and camera accessories and recordable media. Kodak intends to continue efforts to grow its portfolio of consumer product licenses in order to generate both ongoing royalty streams and upfront payments.

Enterprise Inkjet Systems

The Enterprise Inkjet Systems segment contains a base of customers which use KODAK VERSAMARK printing systems, comprised of inkjet printing heads, inks, head refurbishment services as well as on-site maintenance service from Kodak. Applications of the VERSAMARK printing systems include publishing, transactional, commercial print and direct mail. Enterprise Inkjet Systems products are distributed directly by Kodak and indirectly through dealers. The markets that the Enterprise Inkjet Systems segment serves are highly competitive in variable printing applications like direct mail, newspapers and books. Key competitors are Canon, Ricoh, Domino and Screen.

Intellectual Property Solutions

The Intellectual Property Solutions segment contains the research laboratories and includes licensing as well as new business development activities related to Kodak's patents and proprietary technology. Through this segment Kodak conducts research and files patent applications with fundamental inventions from the Kodak Research Laboratories, located in the Eastman Business Park in Rochester, New York. Additionally, Kodak continues to file significant numbers of new patent applications in areas aligned with its core businesses. Via these core business patent applications along with the research inventions, Kodak maintains a large worldwide portfolio of pending applications and issued patents. Kodak actively seeks opportunities to leverage its patents and associated technology in licensing and/or cross-licensing deals to support both revenue growth and its ongoing businesses. While revenues from these licensing activities tend to be unpredictable in nature, this segment still carries potential for material revenue generation. The Intellectual Property Solutions segment also actively pursues additional revenues via new business development through commercialization partnerships and grants or external investment in commercialization of new technologies and products.

Eastman Business Park

The Eastman Business Park segment includes the operations of the Eastman Business Park, a more than 1,200 acre technology center and industrial complex in Rochester, New York and the leasing activities related to that space. A large portion of this facility is used in Kodak's own manufacturing and other operations, while the remaining portion is occupied by external tenants or available for rent to external tenants. Three tenants represent over 60 percent of total Eastman Business Park segment revenues

DISCONTINUED OPERATIONS

Discontinued operations of Kodak include the PROSPER Enterprise Inkjet business and the Personalized Imaging and Document Imaging businesses ("PI/DI Business"). Refer to Note 26, "Discontinued Operations" in the Notes to Financial Statements for additional information.

FINANCIAL INFORMATION BY GEOGRAPHIC AREA

Financial information by geographic area for the past three years is shown in Note 24, "Segment Information," in the Notes to Financial Statements.

## RAW MATERIALS

The raw materials used by Kodak are many and varied, and are generally readily available. Lithographic aluminum is the primary material used in the manufacture of offset printing plates. Kodak procures lithographic aluminum coils from several suppliers with pricing based, in part, on either prevailing market prices for aluminum or on fixed prices for aluminum agreed to up to two years prior. Electronic components are used in the manufacturing of commercial printers and other electronic devices. Although most electronic components are generally available from multiple sources, certain key electronic components included in the finished goods manufactured by and purchased from Kodak’s third party suppliers are obtained from single or limited sources, which may subject Kodak to supply risks.

## SEASONALITY OF BUSINESS

Equipment and plate unit sales generally are higher in the fourth quarter, resulting from customer or industry budgeting practices and buying patterns.

## RESEARCH AND DEVELOPMENT

Through the years, Kodak has engaged in extensive and productive efforts in research and development.

Kodak's general practice is to protect its investment in research and development and its freedom to use its inventions by obtaining patents. The ownership of these patents contributes to Kodak's ability to provide industry-leading products. Kodak holds portfolios of patents in several areas important to its business, including the specific technologies previously discussed, such as flexographic and lithographic printing plates and related equipment systems; digital printing workflow and color management proofing systems; color and black-and-white electrophotographic printing systems including key press components and toners; commercial inkjet writing systems and components, presses and inks; consumer inkjet inks and media; functional printing materials, formulations, and deposition modalities; security materials; embedded information; and color negative films, processing and print films. Each of these areas is important to existing and emerging business opportunities that bear directly on Kodak's overall business performance.

Kodak's major products are not dependent upon one single, material patent. Rather, the technologies that underlie Kodak's products are supported by an aggregation of patents having various remaining lives and expiration dates. There is no individual patent, or group of patents, whose expiration is expected to have a material impact on Kodak's results of operations.

Total research and development expenses were $40 million in 2016, $44 million in 2015 and $64 million in 2014.

## ENVIRONMENTAL PROTECTION

Kodak is subject to various laws and governmental regulations concerning environmental matters. The U.S. federal environmental legislation and state regulatory programs having an impact on Kodak include the Toxic Substances Control Act, the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act, the NY State Chemical Bulk Storage Regulations and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (the “Superfund Law”).

It is Kodak’s policy to carry out its business activities in a manner consistent with sound health, safety and environmental management practices, and to comply with applicable health, safety and environmental laws and regulations. Kodak continues to engage in programs for environmental, health and safety protection and control.

Based upon information presently available, future costs associated with environmental compliance are not expected to have a material effect on Kodak's capital expenditures or competitive position, although costs could be material to a particular quarter or year.

EMPLOYMENT

At the end of 2016, Kodak employed the full time equivalent of approximately 6,100 people globally, of whom approximately 2,700 were employed in the U.S. The actual number of employees may be greater because some individuals work part time.

AVAILABLE INFORMATION

Kodak files many reports with the Securities and Exchange Commission (“SEC”) (www.sec.gov), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. These reports, and amendments to these reports, are made available free of charge as soon as reasonably practicable after being electronically filed with or furnished to the SEC. They are available through Kodak's website at www.Kodak.com. To reach the SEC filings, follow the links to About Kodak, Investor Center, Financial Information and then SEC Filings.

ITEM 1A. RISK FACTORS

Kodak operates in rapidly changing economic and technological environments which present numerous risks, many of which are driven by factors it cannot control or predict. Certain factors may have a material adverse effect on its business, financial condition, and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section and the consolidated financial statements and related notes. The following discussion of “risk factors” identifies Kodak’s assessment of the most significant factors which may adversely affect its business, operations, financial position or future financial performance. Additional risks and uncertainties Kodak is unaware of, or currently believes are not material, may also become important factors which could adversely affect its business, operations, financial position or future financial performance.

Risks Related to Kodak's Business

The ability to generate positive operating cash flows will be necessary for Kodak to continue to operate its business.

Kodak has significantly reduced its rate of negative operating cash flow over the past three years. The Print Systems segment is its largest segment and has declining revenues and its segment earnings are also expected to decline. Kodak's "stable" and "growth" business segments may not grow or continue to generate the same or enough cash flow to offset businesses with declining cash flows. Kodak may be unable to generate positive cash flow from operations in the future, which would have a material adverse effect on its liquidity and financial position.

Continued investment, capital needs, restructuring payments, dividends and servicing the Company's debt require a significant amount of cash and it may not be able to generate cash necessary to fund these activities, which could adversely affect its business, operating results and financial condition.

Kodak's business may not generate cash flow in an amount sufficient to enable it to pay the principal of, or interest on its indebtedness, or to fund Kodak's other liquidity needs, including working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances, restructuring actions and other general corporate requirements.

Kodak's ability to generate cash is subject to general economic, financial, competitive, litigation, regulatory and other factors beyond our control. There are no assurances:

- Kodak's businesses will generate sufficient cash flow from operations;
- Kodak will be able to generate expected levels of operational EBITDA;
- Kodak will be able to repatriate or move cash to locations where and when it is needed;
- the Company will meet all the conditions associated with making borrowings or issuing letters of credit under the ABL Credit Agreement;
- Kodak will realize cost savings, earnings growth and operating improvements resulting from the execution of its business and restructuring plan;
- Kodak will not have to expend cash defending lawsuits regardless of the merits of any claims raised; or
- Future sources of funding will be available in amounts sufficient to enable funding of its liquidity needs.

If Kodak cannot fund its liquidity needs, it will have to take actions, such as reducing or delaying capital expenditures, product development efforts, strategic acquisitions, and investments and alliances; selling additional assets; restructuring or refinancing the Company's debt; or seeking additional equity capital. Such actions could increase the Company's debt, negatively impact customer confidence in its ability to provide products and services, reduce its ability to raise additional capital and delay sustained profitability. There are no assurances any of these actions could, if necessary, be taken on commercially reasonable terms, or at all, or they would satisfy Kodak's liquidity needs. In addition, if it incurs additional debt, the risks associated with the Company's substantial leverage, including the risk it will be unable to service its debt, generate cash flow sufficient to fund its liquidity needs, or maintain compliance with the covenants in the Credit Agreements, could intensify.

Kodak has significantly restructured its business and implemented a new segment reporting structure. The restructured Kodak has been in effect for a limited period of time and there are no assurances Kodak will be able to successfully operate as a restructured business.

Kodak has focused its investments on imaging and printing for business, specifically, commercial inkjet, packaging and functional (Micro 3D) printing solutions, and enterprise services and solutions. Each of these businesses requires additional investment and may not be successful. The introduction of successful innovative products at market competitive prices and the achievement of scale are necessary for it to grow these businesses, improve margins and achieve its financial objectives. Additionally, its strategy is based on a number of factors and assumptions, some of which are not within its control, such as the actions of third parties. There can be no assurance it will be able to successfully execute all or any elements of its strategy, or its ability to successfully execute its strategy will be unaffected by external factors. If it is unsuccessful in growing Kodak’s investment businesses as planned, or perceiving the needs of its target customers, its financial performance could be adversely affected.

If Kodak is not able to successfully implement its strategic business plans, or experiences implementation delays in cost structure reduction, Kodak’s consolidated results of operations, financial position and liquidity could be negatively affected.

Kodak continues to rationalize its workforce and streamline operations to a leaner and more focused organization aligned with its business initiatives. There are no assurances such measures will prove to be successful or the cost savings or other results it achieves through these plans will be consistent with its expectations. As a result, its results of operations, financial position and liquidity could be negatively impacted. Additionally, if restructuring plans are not effectively managed, it may experience lost customer sales, product delays, additional costs and other unanticipated effects, causing harm to its business and customer relationships. The business plans are subject to a number of assumptions, projections, and analysis. If these assumptions prove to be incorrect, Kodak may be unsuccessful in executing its business plan or achieving the projected results, which could adversely impact its financial results and liquidity. Finally, the timing and implementation of these plans require compliance with numerous laws and regulations, including local labor laws, and the failure to comply with such requirements may result in damages, fines and penalties which could adversely affect Kodak's business.

Kodak's inability to effectively complete and manage strategic transactions could adversely impact its business performance, including its financial results.

As part of Kodak's strategy, it may be engaged in discussions with third parties regarding possible divestitures, asset sales, spin-offs, investments, acquisitions, strategic alliances, joint ventures, and outsourcing transactions and may enter into agreements relating to such transactions in order to further its business objectives. For example, Kodak is in talks with prospective buyers about offers to purchase its Prosper enterprise inkjet business. In order to successfully pursue its strategic transaction strategy, it must identify suitable buyers, sellers and partners and successfully complete transactions, some of which may be large and complex, and manage post-closing issues such as the elimination of any remaining post-sale costs related to divested businesses. Transaction risk can be more pronounced for larger and more complicated transactions, or when multiple transactions are pursued simultaneously. If Kodak fails to identify and successfully complete transactions that further its strategic objectives, it may be required to expend resources to develop products and technology internally, it may be at a competitive disadvantage or it may be adversely affected by negative market perceptions. Any of these factors could have an adverse effect on its revenue, gross margins and profitability. In addition, unpredictability surrounding the timing of such transactions could adversely affect its financial results.

Kodak may pursue acquisitions or combinations which could fail or present unanticipated problems for its business in the future, which would adversely affect its ability to realize the anticipated benefits of those transactions or increase the price it would be required to pay.

Kodak may seek to enter into transactions which may include acquiring or combining with other businesses. It may not be able to identify suitable acquisition or combination opportunities or finance and complete any particular acquisition or combination successfully. Furthermore, acquisitions and combinations involve a number of risks and challenges, including:

- the ability to obtain required regulatory and other approvals;
- the need to integrate acquired or combined operations with its business;
- potential loss of key employees;
- difficulty in evaluating operating costs, infrastructure requirements, environmental and other liabilities and other factors beyond its control;
- potential lack of operating experience in new business or geographic areas;
- an increase in its expenses and working capital requirements;
- management's attention may be temporarily diverted; and
- the possibility it may be required to issue a substantial amount of additional equity or debt securities or assume additional debt in connection with any such transactions.

Any of these factors could adversely affect its ability to achieve anticipated levels of cash flows or realize synergies or other anticipated benefits from a strategic transaction. Furthermore, the market for transactions is highly competitive, which may adversely affect its ability to find transactions which fit its strategic objectives or increase the price it would be required to pay (which could decrease the benefit of the transaction or hinder its desire or ability to consummate the transaction). Strategic transactions may occur at any time and may be significant in size relative to its assets and operations.

Due to the nature of the products it sells and Kodak's worldwide distribution, it is subject to changes in currency exchange rates, interest rates and commodity costs which may adversely impact its results of operations and financial position.

As a result of Kodak's global operating and financing activities, it is exposed to changes in currency exchange rates and interest rates, which may adversely affect its results of operations and financial position. Exchange rates and interest rates in markets in which it does business tend to be volatile and, at times, its sales and profitability can be negatively impacted across all its segments depending upon the value of the U.S. dollar and other major currencies such as the euro, the Japanese yen, the British pound and the Chinese yuan. In addition, Kodak's products contain aluminum, silver, petroleum based or other commodity based raw materials, the prices of which have been, and may continue to be, volatile. If the global economic situation remains uncertain or worsens, there could be further volatility in changes in currency exchange rates, interest rates and commodity prices, which could have negative effects on its revenue and earnings.

Weakness or worsening of global economic conditions could adversely affect Kodak's financial performance and liquidity.

The global economic environment may adversely affect sales of Kodak's products, profitability and liquidity. Global financial markets have been experiencing volatility. Economic conditions could accelerate any decline in demand for products, which could also place pressure on its results of operations and liquidity. There is no guarantee that anticipated economic growth levels in markets which have experienced some economic strength will continue in the future, or Kodak will succeed in expanding sales in these markets. In addition, accounts receivable and past due accounts could increase due to a decline in its customers' ability to pay as a result of an economic downturn, and its liquidity, including its ability to use credit lines, could be negatively impacted by failures of financial instrument counterparties, including banks and other financial institutions. If global economic weakness and tightness in the credit markets exist, worsen or are attenuated, Kodak's profitability and related cash generation capability could be adversely affected and, therefore, affect its ability to meet its anticipated cash needs, impair its liquidity or increase its costs of borrowing.

If Kodak is unable to successfully develop or commercialize new products, its business, financial position and operating results may suffer.

Kodak generally sells its products in industries which are characterized by rapid technological changes, frequent new product and service introductions and changing industry standards. Without the timely introduction of new products, services and enhancements, its products and services will become technologically obsolete over time, in which case its revenue and operating results would suffer. Therefore, its future results of operations will depend to a significant extent upon its ability to successfully commercialize new products in a timely manner. The success of its new products and services will depend on several factors, including its ability to:

- identify customer needs;
- innovate and develop new technologies, services, and applications;
- commercialize new technologies in a timely manner;
- manufacture and deliver its products in sufficient volumes and on time;
- differentiate its offerings from its competitors' offerings;
- price its products and services competitively;
- anticipate its competitors' development of new products, services or technological innovations;
- work successfully alongside its partners; and
- control product quality in its manufacturing processes.

As a result of these and other factors, products currently in development by Kodak (for example, Micro 3D printing, UltraStream technology, small particle technology and Ultra NX) may or may not be successfully commercialized in a timely manner, or at all. If any of its key products cannot be successfully or timely commercialized, its operating results could be adversely affected. Moreover, it cannot guarantee any investment made in developing products will be recouped, even if it is successful in commercializing those products, which could have a material adverse effect on its business, financial position and operating results.

If Kodak's commercialization and manufacturing processes fail to prevent issues with product reliability, yield and quality, its product launch plans may be delayed, its financial results may be adversely impacted, and its reputation may be harmed.

In developing, commercializing and manufacturing Kodak's products and services, it must adequately address reliability, and prevent yield and other quality issues, including defects in its engineering, design and manufacturing processes, as well as defects in third-party components included in its products. Because Kodak's products are sophisticated and complicated to develop and commercialize with rapid advances in technologies, the occurrence of defects may increase, particularly with the introduction of new product lines. Unanticipated issues with product performance may delay product launch plans which could result in additional expenses, lost revenue and earnings. Although it has established internal procedures to minimize risks which may arise from product quality issues, there can be no assurance it will be able to eliminate or mitigate occurrences of these issues and associated liabilities. Product reliability, yield and quality issues can impair its relationships with new or existing customers and adversely affect its brand image; product quality issues can result in recalls, warranty, or other service obligations and litigation, and its reputation as a producer of high quality products could suffer, which could adversely affect its business as well as its financial results.

If the reputation of Kodak or its brand erodes significantly, it could have a material impact on its financial results.

Kodak’s reputation, and the reputation of its brand, form the foundation of its relationships with key stakeholders and other constituencies, including customers, suppliers and consumers. The quality and safety of Kodak’s products are critical to its business. Kodak’s products have worldwide recognition, and its financial success is directly dependent on the success of its product offering. The success of Kodak’s brand can suffer if its marketing plans or product initiatives do not have the desired impact on its brand’s image or its ability to attract customers. Its results could also be negatively impacted if its brand suffers substantial harm to its reputation due to significant product reliability and quality issues, and product-related litigation. Additionally, negative or inaccurate postings or comments on social media or networking websites about Kodak or its brand could generate adverse publicity which could damage the reputation of its brand. Kodak also devotes significant time and resources to programs consistent with its corporate values that are designed to protect and preserve its reputation, such as social responsibility and environmental sustainability. If these programs are not executed as planned or suffer negative publicity, Kodak's reputation and financial results could be adversely impacted.

The competitive pressures it faces could harm Kodak's revenue, gross margins, cash flow and market share.

The markets in which Kodak does business are highly competitive with large, entrenched, and well financed industry participants, many of which are larger than Kodak. In addition, it encounters aggressive price competition for many of its products and services from numerous companies globally. Any of its competitors may:

- foresee the course of market developments more accurately than it does;
- sell superior products and provide superior services or offer a broader variety of products and services;
- have the ability to produce or supply similar products and services at a lower cost;
- have better access to supplies and the ability to acquire supplies at a lower cost;
- develop stronger relationships with its suppliers or customers;
- adapt more quickly to new technologies or evolving customer requirements than it does; or
- have access to capital markets or other financing sources on more favorable terms than it can obtain.

As a result, Kodak may not be able to compete successfully with its competitors. Finally, it may not be able to maintain its operating costs or prices at levels which would allow it to compete effectively. Kodak's results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures. If its products, services and pricing are not sufficiently competitive with current and future competitors, it could also lose market share, adversely affecting its revenue, gross margins and cash flow.

An inability to provide competitive financing arrangements to Kodak's customers or extension of credit to customers whose creditworthiness deteriorates could adversely impact its revenue, profitability and financial position.

The competitive environment in which Kodak operates may require it to facilitate or provide financing to its customers. Customer financing arrangements may cover all or a portion of the purchase price for its products and services. It may also assist customers in obtaining financing from banks and other sources. Its success may be dependent, in part, upon its ability to provide customer financing on competitive terms and on its customers' creditworthiness. Tightening of credit in the global financial markets can adversely affect the ability of Kodak's customers to obtain financing for significant purchases, which may result in a decrease in, or cancellation of, orders for its products and services. If Kodak is unable to provide competitive financing solutions to its customers or if it extends credit to customers whose creditworthiness deteriorates, its revenues, profitability and financial position could be adversely impacted.

If Kodak cannot attract, retain and motivate key management and other key employees, its revenue and earnings could be harmed.

In order for it to be successful, Kodak must continue to attract, retain and motivate executives and other key employees, including technical, managerial, marketing, sales, research and support positions. Hiring and retaining qualified executives, research and engineering professionals, and qualified sales representatives, particularly in Kodak's targeted growth markets, are critical to its future. It may be unable to attract and retain highly qualified management and employees, particularly if it does not offer employment terms competitive with the rest of the market. Failure to attract and retain qualified individuals, key leaders, executives and employees, or failure to develop and implement a viable succession plan, could result in inadequate depth of institutional knowledge or skill sets, which could adversely affect its business.

If Kodak cannot effectively anticipate technology trends and develop and market new products to respond to changing customer preferences, its revenue, earnings and cash flow could be adversely affected.

Kodak serves imaging needs for business markets, including packaging, micro 3D printing, graphic communications and enterprise services. Its success in these markets depends on its ability to offer differentiated solutions and technologies to capture market share and grow scale. To enable this, it must continually develop and introduce new products and services in a timely manner to keep pace with technological developments and achieve customer acceptance. In addition, the services and products it provides to customers may not or may no longer meet the needs of its customers as the business models of its customers evolve. Its customers may decide to outsource their imaging needs or may purchase imaging services and needs from other suppliers. In addition, it is difficult to predict successfully the products and services its customers will demand. The success of Kodak’s business depends in part on its ability to identify and respond promptly to changes in customer preferences, expectations and needs. If it does not timely assess and respond to changing customer expectations, preferences and needs, its financial condition, results of operations or cash flows could be adversely affected.

If Kodak is unable to timely anticipate new technology trends, develop improvements to its current technology to address changing customer preferences, and effectively communicate its businesses, products, and the markets it serves, its revenue, earnings and cash flow could be adversely affected.

The success of Kodak’s technology development efforts may be affected by the development efforts of its competitors, which may have more financial and other resources to better ascertain technology trends, changing customer preferences, and changing business expectations or models. Kodak’s assessment and response may as a result be incomplete or inferior when compared to its competitors, which could adversely affect its product roadmaps and associated revenue streams.

If Kodak’s investment in research and product development is inadequate, its response to changing customer needs and changing market dynamics may be too slow and this may adversely affect revenue streams from new products and services.

Kodak makes sizeable investments in new products and services that may not achieve expected returns.

Commercial success depends on many factors, including innovativeness, developer support, and effective distribution and marketing. If customers do not perceive Kodak’s latest offerings as providing significant new functionality or other value, they may reduce their purchases of new products or upgrades, unfavorably affecting revenue. Kodak may not achieve significant revenue from new product, service, and distribution channel investments for several years, if at all. New products and services may not be profitable, and even if they are profitable, operating margins for some new products and businesses will not be as high as the margins Kodak has experienced historically. Developing new technologies is complex. It can require long development and testing periods. Significant delays in new releases or significant problems in creating new products or services could adversely affect Kodak’s revenue.

Kodak relies on third-party suppliers and service providers to support its manufacturing, logistics, and business operations and faces the risks associated with reliance on external business partners.

Kodak’s relies on third-party suppliers for goods and services to support its manufacturing, logistics, and business operations. To the extent it relies on third-parties, it faces the risks that those third parties may not be able to:

- develop manufacturing methods appropriate to Kodak’s products
- maintain an adequate control environment
- quickly respond to changes in customer demand for Kodak
- obtain supplies and materials necessary for the manufacturing process; or
- mitigate the impact of labor shortages and/or disruptions.

Further, even if Kodak honors its payment and other obligations to its key suppliers of products, components and services, such suppliers may choose to unilaterally withhold products, components or services, or demand changes in payment terms. In addition, it may experience shortages in supply and disruptions in service as a result of unexpected demand, transportation and logistical limitations, and/or disruptions or production difficulties at its suppliers, such as disruptions due to fires, other natural disasters or events outside of a supplier’s control. In addition, disruptions could result from a reduction in the number of its suppliers due to their own financial difficulties or a reduction in the products offered by such suppliers. As a result of the loss of any supplier, or a substantial decrease in the availability of products from its suppliers, Kodak may be unable to meet its customer commitments, its costs could be higher than planned, and its cash flows and the reliability of its products could be negatively impacted. Kodak will vigorously enforce its contractual rights under such circumstances, but there is no guarantee it will be successful in preventing or mitigating the effects of unilateral actions by its suppliers. Other supplier problems that Kodak could face include electronic component shortages, excess supply, risks related to the duration and termination of its contracts with suppliers for components and materials and risks related to the ability to obtain products, components or services from single source suppliers on favorable terms or at all. The realization of any of these risks, should alternative third-party relationships not be established, could cause interruptions in supply or increases in costs which might result in Kodak's inability to meet customer demand for its products, damage to its relationships with its customers, and reduced market share, all of which could adversely affect its results of operations and financial condition.

Business disruptions could seriously harm Kodak's future revenue and financial condition and increase its costs and expenses.

Worldwide operations could be subject to earthquakes, power shortages, telecommunications failures, cyber-attacks, terrorism, water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics, political or economic instability, and other natural or manmade disasters or business interruptions, for which Kodak is predominantly self-insured. The occurrence of any of these business disruptions could seriously harm its revenue and financial condition and increase its costs and expenses. In addition, some areas, including parts of the east and west coasts of the United States, have previously experienced, and may experience in the future, major power shortages and blackouts. These blackouts could cause disruptions to its operations or the operations of its suppliers, distributors and resellers, or customers. It has operations including research and development facilities in geographically disparate locations, such as Israel, Japan, China, Canada and Germany. The impact of these risks is greater in areas where products are manufactured at a sole or limited number of location(s), and where the sourcing of materials is limited to a sole or limited base of suppliers, since any material interruption in operations in such locations or suppliers could impact Kodak's ability to provide a particular product or service for a period of time.

Cyber-attacks or disruptions to our information technology (IT) environment could impact revenue, operations, cost, and competitiveness.

To effectively manage our global business, we depend on secure and reliable information technology systems with accurate data. These systems and their underlying infrastructure are provided by a combination of Kodak and third-parties, and if unavailable or unreliable, could disrupt our operations, causing delays or cancellation of customer orders, impeding the manufacturing or delivery of products, delaying the reporting of financial results, or impacting other business processes critical to running our business.

Our IT systems contain critical information about our business, including intellectual property and confidential information of our customers, business partners, and employees. Cyber-attacks or defects in our systems could result in this proprietary information being disclosed or modified, which could cause significant damage to our business or our reputation. We have system controls and security measures in place that are designed to protect our IT systems against intentional or unintentional disruptions of our operations or disclosure of confidential information, but we may not be able to implement solutions that result in stopping or detecting all of these risks to our internal information systems or those of our third-party providers. A breach of our security measures could result in unauthorized access to and misuse of our information, corruption of data, or disruption of operations, any of which could have a material adverse impact on our business.

We also provide IT-based products and services to our customers, both businesses and consumers, and a breach of our security or reliability measures, or those of our third-party service providers, could negatively impact our customers' operations or data privacy.

Improper disclosure of personal data could result in liability and harm Kodak's reputation.

Kodak stores and processes personally-identifiable information of its employees and, in some case, its customers. At the same time, the continued occurrence of high-profile data breaches provides evidence of the increasingly hostile information security environment. This environment demands Kodak continuously improve its design and coordination of security controls across its businesses and geographies. Despite these efforts, it is possible its security controls over personal data, its training of employees and vendors on data security, and other practices it follows may not prevent the improper disclosure of personally identifiable information. Improper disclosure of this information could harm its reputation or subject it to liability under laws which protect personal data, resulting in increased costs or loss of revenue.

If Kodak cannot protect the intellectual property rights on which its business depends, or if third parties assert it violates their intellectual property rights, its revenue, earnings, expenses and liquidity may be adversely impacted.

A key differentiator for Kodak in many of its businesses is its technological advantage over competitors' products and solutions. Its technological advantage is supported by Kodak's intellectual property rights. Patent, copyright, trademark and trade secret laws in the United States and similar laws in other countries, and non-disclosure, confidentiality and other types of agreements with Kodak's employees, customers, suppliers and other parties, may not be effective in establishing, maintaining, protecting and enforcing Kodak's intellectual property rights. Any of Kodak's direct or indirect intellectual property rights could be challenged, invalidated, circumvented, infringed, diluted, disclosed or misappropriated, or such intellectual property rights may not be sufficient to permit it to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly product redesign efforts, discontinuance of certain product offerings or other competitive harm. Further, the laws of certain countries do not protect proprietary rights to the same degree as the laws of the United States. Therefore, in certain jurisdictions, Kodak may be unable to protect its proprietary technology adequately against unauthorized third party copying, infringement or use, which could adversely affect its competitive position. Also, much of Kodak's business and many of its products rely on key technologies developed or licensed by third parties and, because of the rapid pace of technological change in the information technology industry, it may not be able to obtain or continue to obtain licenses and technologies from relevant third parties on reasonable terms, or at all.

Kodak also licenses third parties to use its trademarks. In an effort to preserve its trademark rights, Kodak enters into license agreements with these third parties which govern the use of its trademarks, and which require its licensees to abide by quality control standards with respect to the goods and services they provide under the trademarks. Although Kodak makes efforts to police the use of its trademarks by its licensees, there can be no assurance these efforts will be sufficient to ensure the licensees abide by the terms of their licenses. In the event Kodak's licensees fail to do so, its trademark rights could be diluted. Also, failure by Kodak and its licensee to sufficiently exploit any of Kodak's trademarks in any markets could erode Kodak's trademark rights with respect to the relevant trademarks. Because the laws and enforcement regimes of certain countries do not protect proprietary rights to the same degree as those in the United States, in certain jurisdictions Kodak may be unable to adequately prevent such unauthorized uses, which could result in impairment of its trademark rights.

Kodak has made substantial investments in new, proprietary technologies and has filed patent applications and obtained patents to protect its intellectual property rights in these technologies as well as the interests of its licensees. There can be no assurance Kodak's patent applications will be approved, any patents issued will be of sufficient scope or strength to provide it with meaningful protection, or such patents will not be challenged by third parties. Furthermore, Kodak may fail to accurately predict all of the countries where patent protection will ultimately be desirable, and if it fails to timely file a patent application in any such country, it may be precluded from doing so at a later date. The patents issuing may vary in scope of coverage depending on the country in which such patents issue.

In addition, the intellectual property rights of others could inhibit Kodak's ability to conduct its business. Other companies may hold patents on technologies used in Kodak's industries and some of the companies are aggressively seeking to expand, enforce or license their patent portfolios. Third parties may claim Kodak and its customers, licensees or other parties indemnified by it are infringing upon their intellectual property rights. Such claims may be made by competitors seeking to block or limit Kodak's access to certain markets. Additionally, in recent years, individuals and groups have begun purchasing intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from large companies like Kodak. Even if it believes the claims are without merit, these claims may have the following negative impacts on its business:

- claims can be time consuming and costly to defend and may distract management's attention and resources;
- claims of intellectual property infringement may require it to redesign affected products, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting it from marketing or selling certain of its products;
- even if it has an agreement with a third party to indemnify it against such costs, the indemnifying party may be unable to uphold such party's contractual obligations; and
- if it cannot or does not license the infringed technology at all, license the technology on reasonable terms or substitute similar technology from another source, its revenue and earnings could be adversely impacted.

Finally, Kodak uses open source software in connection with its products and services. Companies which incorporate open source software into their products have, from time to time, faced claims challenging the ownership of open source software and/or compliance with open source license terms. As a result, Kodak could be subject to suits by parties claiming ownership of what it believes to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost; any requirement to disclose Kodak's source code or pay damages for breach of contract could be harmful to its business results of operations and financial condition.

Kodak's future pension and other postretirement benefit plan costs and required level of contributions could be unfavorably impacted by changes in actuarial assumptions, market performance of plan assets and obligations imposed by legislation or pension authorities which could adversely affect its financial position, results of operations, and cash flow.

Kodak has significant defined benefit pension and other postretirement benefit obligations. The funded status of its U.S. and non U.S. defined benefit pension plans (and other postretirement benefit plans), and the related cost reflected in its financial statements, are affected by various factors subject to an inherent degree of uncertainty. Key assumptions used to value these benefit obligations, funded status and expense recognition include the discount rate for future payment obligations, the long term expected rate of return on plan assets, salary growth, healthcare cost trend rates, mortality trends, and other economic and demographic factors. Significant differences in actual experience, or significant changes in future assumptions or obligations imposed by legislation or pension authorities could lead to a potential future need to contribute cash or assets to Kodak's plans in excess of currently estimated contributions and benefit payments and could have an adverse effect on Kodak's consolidated results of operations, financial position or liquidity.

In past years, Kodak has experienced increases in the costs of these defined benefit pension and postretirement benefit obligations as a result of macro-economic factors beyond its control, including increases in health care costs, declines in investment returns on pension plan assets and changes in discount rates and mortality rates used to calculate pension and related liabilities. At least some of these macro-economic factors may again put pressure on the cost of providing pension and medical benefits. There can be no assurance it will succeed in limiting cost increases. In addition, continued upward pressure, including any as a result of new legislation, could reduce the profitability of its businesses.

Kodak may be required to recognize impairments in the value of its goodwill and/or other long-lived assets resulting from the application of fresh start accounting, which could adversely affect its results of operations.

Upon emergence from bankruptcy, Kodak applied fresh start accounting pursuant to which the reorganization value was allocated to the individual assets and liabilities based on their estimated fair values. The excess reorganization value over the fair value of identified tangible and intangible assets is reported as goodwill. In connection with fresh start, Kodak also fair valued its other long-lived assets, including intangible assets. The determination of reorganization value, equity value of the Company's common stock and fair value of assets and liabilities is dependent on various estimates and assumptions, including financial projections and the realization of certain events. Kodak tests goodwill and indefinite lived intangible assets for impairment annually or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Kodak evaluates other long-lived assets for impairments whenever events or changes in circumstances indicate the carrying value may not be recoverable. Impairments could occur in the future if Kodak's expected future cash flows decline, market or interest rate environments deteriorate, or if carrying values change materially compared with changes in their respective fair values.

Kodak's businesses experience seasonality of sales. Therefore, lower demand for Kodak's products or increases in costs during periods which are expected to be at peak in seasonality may have a pronounced negative effect on its results of operations.

Equipment and consumables sales generally exhibit higher levels in the fourth quarter due to the seasonal nature of placements, resulting from customer or industry budgeting practices. As a result, a sequential quarter-to-quarter comparison is not a good indication of Kodak's performance or how it will perform in the future. In addition, adverse developments during what are expected to be peak periods in seasonality, such as lower-than-anticipated demand for its products, an internal systems failure, increases in materials costs, or failure of or performance problems with one of its key logistics, components supply, or manufacturing partners, could have a material adverse impact on its financial condition and operating results. Tight credit markets which limit capital investments or a weak economy which decreases print demand could negatively impact equipment or consumable sales. These external developments are often unpredictable and may have an adverse impact on its business and results of operations.

If Kodak fails to manage distribution of its products and services properly, its revenue, gross margins and earnings could be adversely impacted.

Kodak uses a variety of different distribution methods to sell and deliver its products and services, including third-party resellers and distributors and direct and indirect sales to both enterprise accounts and customers. Successfully managing the interaction of direct and indirect channels to various potential customer segments for its products and services is a complex process. Moreover, since each distribution method has distinct risks and costs, Kodak's failure to achieve the most advantageous balance in the delivery model for its products and services could adversely affect its revenue, gross margins and earnings. This has concentrated Kodak's credit and operational risk and could result in an adverse impact on its financial performance.

Kodak's future results could be harmed if it is unsuccessful in its sales in emerging markets.

Because Kodak is seeking to expand its sales and number of customer relationships outside the United States, including in emerging markets in Asia, Latin America and Eastern Europe, Kodak's business is subject to risks associated with doing business internationally, such as:

- support of multiple languages;
- recruitment of sales and technical support personnel with the skills to design, manufacture, sell and supply products;
- compliance with governmental regulation of imports and exports, including obtaining required import or export approval for its products;
- complexity of managing international operations;
- exposure to foreign currency exchange rate fluctuations;
- commercial laws and business practices which may favor local competition;
- multiple, potentially conflicting, and changing governmental laws, regulations and practices, including differing export, import, tax, anti-corruption, anti-dumping, economic sanction, labor, and employment laws;
- difficulties in collecting accounts receivable;
- limitations or restrictions on the repatriation of cash;
- limitations or reductions in protection of intellectual property rights;
- complications in logistics and distribution arrangements; and
- political or economic instability.

There can be no assurance Kodak will be able to market and sell its products in all of its targeted markets. If its efforts are not successful, its business growth and results of operations could be harmed. As a global company, Kodak is subject to regulatory requirements and laws in the jurisdictions in which it operates, and any alleged non-compliance with these requirements or laws could result in an adverse financial or reputational impact.

Kodak is subject to environmental laws and regulations and failure to comply with such laws and regulations or liabilities imposed as a result of such laws and regulations could have an adverse effect on its business, results of operations and financial condition.

Kodak is subject to environmental laws and regulations world-wide that govern, for example, the discharge of pollutants, the management of hazardous materials, the cleanup of contaminated sites, and the composition and end-of-life management of its products. Non-conformance with applicable laws or liability incurred without regard to fault, could have a material adverse effect on its business, results of operations and financial condition. The cost of complying with such laws could have a material adverse effect on its business, results of operations and financial condition.

In addition, the Company, the New York State Department of Environmental Conservation and the New York State Urban Development Corporation have entered into a settlement agreement concerning certain of the Company's historical environmental liabilities at Eastman Business Park or from discharges to the Genesee River through the establishment of a $49 million environmental remediation trust. Should historical liabilities exceed $49 million, New

York State is responsible for payments of cost up to an additional $50 million. In the event the historical liabilities exceed $99 million, the Company will become liable for 50% of the portion above $99 million, which could have a material adverse effect on its financial condition. The settlement agreement was implemented on May 20, 2014. The settlement agreement includes a covenant not to sue from the U.S. Environmental Protection Agency. Any uncertainties related to the Company's environmental obligations may impact its ability to further develop and transform Eastman Business Park.

Kodak's business, financial position, results of operations, cash flows and reputation may be negatively impacted by legal matters.

Kodak has various contingencies which are not reflected on its balance sheet, including those arising as a result of being involved from time to time in a variety of claims, lawsuits, investigations and proceedings concerning: commercial, customs, employment, and intellectual property matters, as well as compliance with various domestic and international laws and regulations. Should developments in any of these matters cause a change in its determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on its business, financial position, results of operations, cash flows.

Regulations related to “conflict minerals” may require Kodak to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing Kodak’s products.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of minerals originating from the conflict zones of the Democratic Republic of Congo (DRC) and adjoining countries. As a result, in August 2012, the SEC adopted rules requiring disclosure related to sourcing of specified minerals, known as “conflict minerals,” which are necessary to the functionality or production of products manufactured or contracted to be manufactured by public companies. Kodak has designed its overall conflict minerals policies and procedures to be consistent with the guidance issued by the Organization for Economic Co-operation and Development (OECD), and continues to perform due diligence on its supply chain. Kodak filed its Conflict Minerals Disclosure report on May 31, 2016. As of the date of the report, Kodak determined certain of its products contain such specified minerals, but was unable to determine whether or not such minerals originate from the DRC or an adjoining country. Kodak may incur additional costs to comply with these disclosure requirements, including costs related to determining the sources of the specified minerals used in its products, in addition to the cost of any changes to products, processes, or sources of supply as a consequence of such verification activities, which may adversely affect its business. In addition, the number of suppliers who provide “conflict-free” minerals may be limited, which may make it difficult to satisfy customers who require all of the components of its products be certified as conflict-free, which could place it at a competitive disadvantage if it is unable to do so. Because Kodak’s supply chain is complex, it may also not be sufficiently able to verify the origins of the relevant minerals used in its products through its due diligence procedures, which may harm its reputation.

Risks Related to the Company’s Indebtedness and Access to Capital Markets

There can be no assurance the Company will be able to comply with the terms of its various credit facilities.

A breach of any of the financial or other covenants contained in the Senior Secured First Lien Term Credit Agreement (the “First Lien Term Credit Agreement”) or the Asset Based Revolving Credit Agreement (the “ABL Credit Agreement” and, together with the First Lien Term Credit Agreement, the “Credit Agreements”) could result in an event of default under these facilities. If any event of default occurs and the Company is not able to either cure it or obtain a waiver from the requisite lenders under each of these facilities, the administrative agent of each credit facility may, and at the request of the requisite lenders for that facility must, declare all of the Company’s outstanding obligations under the applicable credit facility, together with accrued interest and fees, to be immediately due and payable and the agent under the ABL Credit Agreement may, and at the request of the requisite lenders must, terminate the lenders’ commitments under that facility and cease making further loans, and if applicable, each respective agent could institute foreclosure proceedings against the pledged assets. Any of these outcomes could adversely affect the Company’s operations and its ability to satisfy its obligations as they come due.

The combination of covenant requirements in the First Lien Term Credit Agreement and Kodak’s on-going investment in growth businesses, and continuing softness and volatility of global economic conditions and foreign currency exchange rates, could make it difficult for the Company to satisfy the leverage covenants under the Term Credit Agreements on an on-going basis.

The Company is obligated to comply with a number of financial and other covenants contained in the Credit Agreements. Kodak intends to conduct its operations in a manner which will result in continued compliance with the secured leverage ratio covenants under the Term Credit Agreements; however, compliance for future quarters may depend on Kodak undertaking one or more non-operational transactions, such as a monetization of assets, a debt refinancing, the raising of equity capital, or a similar transaction. If the Company is unable to remain in compliance and does not make alternate arrangements with its term lenders, an event of default would occur under the Credit

Agreements which, among other remedies, would entitle the lenders or their agents to declare the outstanding obligations under the Term Credit Agreements to be immediately due and payable. Refer to “Risks Related to Kodak’s Business risk factor—There can be no assurance the Company will be able to comply with the terms of its various credit facilities” for a description of additional risks relating to compliance with the covenants under the Credit Agreements.

The availability of borrowings and letters of credit under the ABL Credit Agreement is limited by the amount of various types of assets and, under certain circumstances, the administrative agent under the ABL Credit Agreement will have greater control over Kodak’s cash.

Availability under the Company’s ABL Credit Agreement is based on the amount of Eligible Receivables, Eligible Inventory, Eligible Machinery and Equipment and Eligible Cash less specified reserves as described in Note 8, “Debt and Capital Leases” to the consolidated financial statements. Kodak’s U.S. Accounts Receivable and Inventory levels have declined over the past three years, and Machinery and Equipment for purposes of the ABL Credit Agreement amortizes down by $1 million per quarter. If Eligible Receivables, Eligible Inventory and Eligible Machinery and Equipment continue to decline and an asset base cannot be maintained to support the $116 million of outstanding letters of credit and the $19 million of Excess Availability required under the ABL Credit Agreement, the Company would be required to increase restricted cash deposited in the Eligible Cash account or remain in compliance with the ABL Credit Agreement’s Fixed Charge Coverage Ratio and operate under cash dominion by the administrative agent under the ABL Credit Agreement. Additional cash deposited in the Eligible Cash account would be classified as restricted cash, would not be available to support ongoing working capital and investment needs and could not be used in determining the Net Secured Leverage Ratio under the First Lien Term Credit Agreement. If the administrative agent under the ABL Credit Agreement executed cash dominion, it would increase operational complexities for the Company. An event of default would occur if neither of these alternatives were achieved.

The Company's substantial monetary obligations require a portion of its cash flow be used to pay interest, dividends and fund other obligations rather than be invested in the business and could adversely affect its ability to fund its operations.

The Company's indebtedness under the Credit Agreements and its other obligations including the potential mandatory redemption of the Series A Preferred Stock could have important negative consequences to the Company and investors in its securities. These include the following:

- it may not be able to satisfy all of its obligations, including, but not limited to, its obligations under the Credit Agreements, which may cause a cross-default or cross-acceleration on other debt it may have incurred;
- it could have difficulties obtaining necessary financing in the future for working capital, capital expenditures, debt service requirements, mandatory redemption of the Series A Preferred Stock, refinancing or other purposes;
- it will have to use a significant part of its cash flow or cash balances to make payments on its debt or Series A Preferred Stock and to satisfy the other obligations set forth above, which may reduce the capital available for operations and expansion; and
- adverse economic or industry conditions may have more of a negative impact on it.

The Company cannot be sure cash generated from its business will be as high as it expects or its expenses will not be higher than it expects. Because a portion of its expenses are fixed in any given year, its operating cash flow margins are highly dependent on revenues, which are largely driven by customer demand. A lower amount of cash generated from its business or higher expenses than expected, when coupled with its debt obligations, could adversely affect its ability to fund its operations.

Kodak's access to the capital markets may be limited.

Because of Kodak's current non-investment grade credit ratings, and/or general conditions in the financial and credit markets, its access to the capital markets may be limited. Moreover, the urgency of a capital-raising transaction may require it to pursue additional capital at an inopportune time or unattractive cost. Kodak's ability to obtain capital and the costs of such capital are dependent on numerous factors, including:

- covenants in the Credit Agreements;
- obtaining a consent from the holders of Series A Preferred Stock for the issuance of additional preferred shares which rank senior or pari passu to the Series A Preferred Stock;
- investor confidence in Kodak and the markets in which it operates;
- its financial performance and the financial performance of its subsidiaries;
- its levels of debt and redemption obligations;
- its ability to generate positive cash flow;
- its requirements for posting collateral under various commercial agreements;
- its credit ratings;
- its cash flow;
- its long-term business prospects; and
- general economic and capital market conditions, including the timing and magnitude of any market recovery.

Kodak may not be successful in obtaining additional capital for these or other reasons. An inability to access capital may limit its ability to meet its operating needs and, as a result, may have a material adverse effect on its financial condition, results of operations and cash flows.

The current non-investment grade status may adversely impact Kodak's commercial operations, increase its liquidity requirements and increase the cost of refinancing opportunities. It may not have adequate liquidity to post required amounts of additional collateral.

The Company's corporate family credit rating is currently below investment grade and there are no assurances its credit ratings will improve, or they will not decline, in the future. Its credit ratings may affect the evaluation of its creditworthiness by trading counterparties and lenders, which could put it at a disadvantage to competitors with higher or investment grade ratings.

In carrying out its commercial business strategy, the current non-investment grade credit ratings have resulted and will likely continue to result in requirements that Kodak either prepay obligations or post significant amounts of collateral to support its business. Additionally, the current non-investment grade credit ratings may limit its ability to obtain additional sources of liquidity, refinance its debt obligations, including any mandatory redemption of its Series A Preferred Stock, or access the capital markets at the lower borrowing costs which would presumably be available to competitors with higher or investment grade ratings. Should its ratings continue at their current levels, or should its ratings be further downgraded, it would expect these negative effects to continue and, in the case of a downgrade, become more pronounced.

Risks Related to the Company's Common Stock

The conversion of the Company's Series A Preferred Stock into shares of the Company's common stock may dilute the value for the current holders of the Company's common stock.

The 2,000,000 outstanding shares of the Company's Series A Preferred Stock are convertible into shares of the Company's common stock at a conversion rate of 5.7471 shares of common stock per share of Series A Preferred Stock. As a result of the conversion of any issued and outstanding Series A Preferred Stock, the Company's existing shareholders will own a smaller percentage of its outstanding common stock. Based on the capitalization of the Company as of March 1, 2017, the conversion of all shares of the Series A Preferred Stock would result in the issuance to holders thereof of approximately 21% of the outstanding common stock after giving effect to such conversion. Further, additional shares of common stock may be issuable pursuant to certain other features of the Series A Preferred Stock, with such issuances being further dilutive to existing holders of common stock.

If Series A Preferred Stock is converted into common stock, holders of such converted common stock will be entitled to the same dividend and distribution rights as holders of the common stock currently authorized and outstanding. As such, another dilutive effect resulting from the conversion of any issued and outstanding shares of Series A Preferred Stock will be a dilution to dividends and distributions.

Holders of the Company's common stock will not realize any dilution in their ownership, dividend or distribution rights solely as a result of the reservation of any shares of common stock for issuance upon conversion of the Series A Preferred Stock or for issuance of additional shares of common stock pursuant to certain other features of the Series A Preferred Stock, but will experience such dilution to the extent additional shares of common stock are issued in the future as described above.

The holders of the Company's Series A Preferred Stock own a large portion of the voting power of the Company's outstanding securities and have the right to nominate two members to the Company's Board. As a result, these holders may influence the composition of the Board and future actions taken by the Board.

The holders of the Company's Series A Preferred Stock are entitled to vote upon all matters upon which holders of the Company's common stock have the right to vote and are entitled to the number of votes equal to the number of full shares of common stock into which such shares of Series A Preferred Stock could be converted at the then applicable conversion rate. These holders currently hold approximately 22% of the voting power of the Company on an as-converted basis. As a result, these holders may have the ability to influence future actions by the Company requiring shareholder approval.

Further, beginning at the 2017 annual meeting of shareholders of the Company and for as long as they hold any shares of Series A Preferred Stock, the current holders of the Series A Preferred Stock will be entitled to nominate for election (collectively and not individually) at the Company's annual meeting of shareholders a number of directors to the board of directors of the Company (the "Board") commensurate with their ownership percentage of common stock on an as-converted basis. Accordingly, it is expected that these current holders will be able to nominate two directors to the Board at the Company's next annual meeting of shareholders, assuming they retain ownership of their shares of Series A Preferred Stock or any common stock into which it may be converted. These current holders also have the right to fill vacancies on the Board created by one of their designees ceasing to serve on the Board. The nomination and other rights regarding the Board granted to the current holders of Series A Preferred Stock are not transferrable to any other person. Also, whenever dividends on the Series A Preferred Stock are in arrears for six or more dividend periods, the holders of Series A Preferred Stock (voting with holders of all other classes of preferred stock of the Company whose voting rights are then exercisable) are entitled to vote for the election of two additional directors at the Company's next annual meeting and all subsequent meetings until all accumulated dividends on such Series A Preferred Stock and other voting preferred stock have been paid or set aside (during which time the number of directors the current holders of Series A Preferred Stock are entitled to nominate under the Purchase Agreement will be reduced by two). As a result, the potential presence of directors on the Board nominated by the current holders of Series A Preferred Stock or elected by the holders of Series A Preferred Stock would enable such current holders or the holders of Series A Preferred Stock to influence the composition of the Board and, in turn, potentially influence and impact future actions taken by the Board.

The Company has registered, or expects to register, the resale of a large portion of its outstanding securities. The resale of the Company's common stock, or the perception that such resale may occur, may adversely affect the price of its common stock.

In compliance with two Registration Rights Agreements to which the Company is a party, it has registered the resale of an aggregate of 20,723,050 shares of outstanding common stock and 863,804 shares of common stock issuable upon the exercise of outstanding warrants, and it expects to complete the registration of the resale of 2,000,000 shares of outstanding Series A Preferred Stock and 11,494,200 shares of common stock, subject to anti-dilution adjustments, issuable upon the conversion of outstanding Series A Preferred Stock. The resale of a substantial number of shares of common stock in the public market, or the perception that such resale might occur, could cause the market price of the Company's common stock to decline. Under the terms of the Registration Rights Agreements to which the Company is subject, the counterparties to such Registration Rights Agreements can, in certain circumstances, require the Company to participate in an underwritten public offering of the registered securities. Any shares sold in a registered resale will be freely tradable without restriction under the Securities Act. While the Company cannot predict the size of future resales or distributions of its common stock, if there is a perception that such resales or distributions could occur, or if the holders of the Company's securities registered for resale sell a large number of the registered securities, the market price for the Company's common stock could be adversely affected.

The resale of a significant portion of the Company's securities registered for resale could result in a change of control of the Company and the loss of favorable tax attributes.

The Company has registered, or filed a registration statement with respect to, the resale of securities representing approximately 60% of its outstanding shares of common stock assuming the issuance of all common stock issuable upon the conversion of the Series A Preferred Stock or the exercise of the warrants corresponding to shares of common stock registered for resale. Although the holders of the subject securities consist of several unaffiliated groups, these holders collectively have a controlling influence over all matters presented to the Company's shareholders for approval, including election of members to the Board and change of control transactions. In addition, the holders of subject securities collectively would be able to cause a change of control of the Company by selling a sufficient portion of the Company's securities held by them. If such a transaction, in combination with other transactions including the issuance of the Series A Preferred Stock, were to result in an "ownership change" as determined under Section 382 of the Internal Revenue Code of 1986, as amended, then the Company's ability to offset taxable income with tax attributes generated prior to the ownership change date could be limited, possibly substantially. For more information on the Company's tax attributes refer to Note 14, "Income Taxes". The interests of the holders of the securities registered or to be registered for resale may not always coincide with the interests of the other holders of our common stock.

ITEM 1B.UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Kodak's worldwide headquarters is located in Rochester, New York.

As of December 31, 2016, Kodak owned 18 million square feet and leased 3 million square feet of administrative, research and development, manufacturing and marketing facilities in various parts of the world and leased 3 million square feet of owned property to third parties. The leases are for various periods and are generally renewable.

The location of Kodak's manufacturing facilities, by segment, are listed below. Properties in a location may be shared by all segments operating in that location.

| | | |
|---|---|---|
| Micro 3D Printing and Packaging | Print Systems | Enterprise Inkjet Systems |
| Rochester, New York | Rochester, New York | Rochester, New York |
| Weatherford, Oklahoma | Columbus, Georgia | Dayton, Ohio |
| Yamanashi, Japan | Osterode, Germany | Shanghai, China |
| Shanghai, China | Gunma, Japan | |
| | Shanghai, China | |
| Consumer and Film | Xiamen, China | Software and Solutions |
| Rochester, New York | Vancouver, Canada | Vancouver, Canada |
| Shanghai, China | | (software development) |

Regional distribution centers are located in various places within and outside of the United States.

Research and development is headquartered at the Kodak Research Laboratories which is part of the Eastman Business Park in Rochester, New York, where Kodak conducts research and files patent applications with fundamental inventions. Other U.S. research and development groups are located in Oakdale, Minnesota; and Columbus, Georgia. Outside the U.S., research and development groups are located in Canada, Israel, Germany, Japan and China. The research and development groups located outside of Rochester, New York work in close cooperation with manufacturing units and marketing organizations to develop new products and applications to serve both existing and new markets.

Kodak has excess capacity in some locations. Kodak is pursuing monetizing its excess capacity by selling or leasing the associated properties.

## ITEM 3. LEGAL PROCEEDINGS

Subsequent to the Company's Bankruptcy Filing, between January 27, 2012 and March 22, 2012, several putative class action suits were filed in federal court in the Western District of New York against the committees of the Company's Employee Stock Ownership Plan ("ESOP") and Savings and Investment Plan ("SIP"), and certain former and current executives of the Company. The suits were consolidated into a single action brought under the Employee Retirement Income Security Act, styled as In re Eastman Kodak ERISA Litigation (the "Action"). The allegations concerned the decline in the Company's stock price and its alleged impact on the ESOP and SIP. Defendants and plaintiffs, individually and as class representatives, entered into a settlement agreement in April of 2016. On October 4, 2016, the court entered an Order and Final Judgment certifying the Action as a binding non-opt-out class action, approving and confirming the settlement agreement and dismissing the Action with prejudice. The settlement agreement became final in November 2016 when the time for any party to appeal the Order and Final Judgment passed. The Company was not a party to the Action and was not obligated to make any payments under the settlement agreement.

Kodak’s Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes in various stages of litigation, as well as civil litigation and disputes associated with former employees and contract labor. The tax matters, which comprise the majority of the litigation matters, are primarily related to federal and state value-added taxes and income taxes. Kodak’s Brazilian operations are disputing these matters and intend to vigorously defend their position. Kodak routinely assesses these matters as to the probability of ultimately incurring a liability in its Brazilian operations and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of December 31, 2016, Kodak maintained accruals of approximately $13 million for claims aggregating approximately $213 million inclusive of interest and penalties where appropriate. In connection with assessments and litigation in Brazil, local regulations may require Kodak to post security for a portion of the amounts in dispute. Generally, any encumbrances of the Brazilian assets would be removed to the extent the matter is resolved in Kodak’s favor.

Kodak is involved in various lawsuits, claims, investigations, remediations and proceedings, including, from time to time, commercial, customs, employment, environmental, and health and safety matters, which are being handled and defended in the ordinary course of business. Kodak is also subject, from time to time, to various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that are incorporated in a broad spectrum of Kodak’s products. These matters are in various stages of investigation and litigation, and are being vigorously defended. Based on information currently available, Kodak does not believe that it is probable that the outcomes in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations. Litigation is inherently unpredictable, and judgments could be rendered or settlements entered that could adversely affect Kodak’s operating results or cash flows in a particular period. Kodak routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable.

## ITEM 4. MINE SAFETY DISCLOSURES

None.

## EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instructions G (3) of Form 10-K, the following list is included as an unnumbered item in Part I of this report in lieu of being included in the Proxy Statement for the Annual Meeting of Shareholders.

| Name | Age | Positions Held | Year First an Executive Officer | Elected to Present Office |
|---|---|---|---|---|
| Jeffrey J. Clarke | 55 | Chief Executive Officer | 2014 | 2014 |
| David E. Bullwinkle | 42 | Chief Financial Officer and Senior Vice President | 2016 | 2016 |
| Philip Cullimore | 51 | Senior Vice President | 2015 | 2015 |
| Brad W. Kruchten | 57 | Senior Vice President | 2009 | 2015 |
| Eric-Yves Mahe | 54 | Senior Vice President | 2015 | 2015 |
| John O'Grady | 53 | Senior Vice President | 2016 | 2016 |
| Steven Overman | 48 | Senior Vice President | 2015 | 2015 |
| Eric H. Samuels | 49 | Chief Accounting Officer and Corporate Controller | 2009 | 2009 |
| Terry R. Taber | 62 | Senior Vice President | 2009 | 2010 |
| Sharon E. Underberg | 55 | General Counsel, Secretary, and Senior Vice President | 2015 | 2015 |

The executive officers' biographies follow:

Jeffrey J. Clarke

Jeff Clarke is the Chief Executive Officer and a member of the Board of Directors of Kodak.

Prior to joining Kodak in March 2014, Clarke was a Managing Partner of Augusta Columbia Capital, a private investment firm he co-founded in 2012. From 2012 to 2014, Clarke was the Chairman of Travelport, Inc., a private travel technology firm, where he served as CEO from 2006 to 2011, after leading its sale from Cendant Corporation to the Blackstone Group for $4.3 billion in 2006.

Clarke was the Chief Operating Officer of CA, Inc. (now called CA Technologies), an enterprise software company, from 2004 to 2006. At CA, he was responsible for sales, services, distribution, corporate finance, mergers & acquisitions, information technology, corporate strategy and planning.

From 2002 to 2003, Clarke was Executive Vice President of Global Operations at Hewlett Packard (“HP”). In this role, he was responsible for HP's worldwide supply chain, manufacturing, procurement and internet operations. He also co-led HP's merger integration with Compaq Computer. Prior to HP, Clarke was the Chief Financial Officer of Compaq Computer, which he joined in 1998 following the merger of Compaq with Digital Equipment Corporation (“DEC”). Clarke was with DEC from 1985 to 1998, serving in management roles in international operations, finance and manufacturing.

In March 2016, Clarke joined the board of directors of Autodesk, Inc., a leader in 3D design, engineering and entertainment software. Clarke served on the board of directors of Red Hat, Inc., an enterprise software company, from November 2008 through August 2016. He served as Chairman of Orbitz Worldwide, a global online travel agency, after leading the company's IPO in July 2007, until April 2014 and was also a director for the Compuware Corporation, an enterprise software company, from November 2013 until December 2014. Clarke served on the board of directors of Utstarcom, which designs and manufactures communications equipment, from 2005 to 2010.

Clarke earned an MBA from Northeastern University, where he serves as a Trustee. He holds a B.A. degree in Economics from SUNY Geneseo.

David E. Bullwinkle

Dave Bullwinkle is Chief Financial Officer and Senior Vice President of Kodak. The Board of Directors elected Bullwinkle to this position effective July 2016. Bullwinkle reports to Chief Executive Officer Jeff Clarke.

Bullwinkle is responsible for Kodak's financial strategy and all functions within Kodak's Finance organization. Purchasing, credit and collections, and internal audit also report to the CFO office under Bullwinkle.

Bullwinkle joined Kodak in 2004 and has worked in several financial management roles at the company including Worldwide BU Controller, Assistant Corporate Controller and External Reporting Manager. He served as the Director of Corporate Financial Planning and Analysis, Director of Investor Relations and Vice President, Finance at Kodak from 2010 to June 2016.

Prior to joining Kodak, Bullwinkle worked as the Manager of Financial Reporting at Birds Eye Foods, Inc. and previously at PricewaterhouseCoopers from 1996 to 2002 in various roles including serving as an Assurance Manager. He holds an MBA from St. John Fisher College and Bachelor of Science in Accounting degree from SUNY Geneseo. Bullwinkle is also a Certified Public Accountant in the State of New York.

Philip Cullimore

Effective January 1, 2015, Philip Cullimore is President of the Enterprise Inkjet Systems Division, which serves existing and future commercial inkjet printing customers, and President of the Micro 3D Printing and Packaging Division, which serves packaging customers and display original equipment manufacturer ("OEM") partners with products such as KODAK FLEXCEL NX Systems and Plates, legacy packaging solutions, and touch sensor films. He reports to Chief Executive Officer Jeff Clarke.

The Board of Directors elected Cullimore a senior vice president effective January 2015.

From December 2010 to December 2014, Cullimore was Regional Managing Director, Europe, Africa and Middle East Region (EAMER) and Chairman Eastman Kodak Sàrl.

During Cullimore's 16 years at Kodak, he has directed Kodak's strategy in the photographic printing market and taken responsibility for Kodak's Wide Format Printer and Inks participation at ENCAD Inc., with assignments in the U.K., U.S., and Switzerland.

Prior to rejoining Kodak in 2000, Cullimore's career included periods as U.K. Managing Director for Purup-Eskofot and Worldwide Business Director for Workflow Software at Fujifilm Electronic Imaging. He also founded, grew, and sold two software businesses during the 1990s.

Cullimore holds a B. S. Honours Degree in Physics and Environmental Sciences from the University of East Anglia.

Brad W. Kruchten

Effective January 1, 2015, Brad Kruchten is President of the Print Systems Division, which serves graphic arts and commercial print customers with printing plates, computer to plate imaging solutions, electrophotographic printing solutions, OEM toner, and all equipment services. He reports to Chief Executive Officer Jeff Clarke.

From January 2012 to January 2015, Kruchten was President of the Graphics, Entertainment and Commercial Films business segment, and from May 2009 to January 2012, he was the President of the Film, Photofinishing & Entertainment Group ("FPEG"). In this capacity, he was responsible for profit and loss for all silver halide products. The Board of Directors elected him a senior vice president in 2009.

Previously, Kruchten was the worldwide General Manager for Retail Printing and managed the products and services that enable retailers to offer an integrated retail solution to analog and digital photographers. These products and services included kiosks, paper, retail workflow software, service, and support. Before that, Kruchten was the General Manager for the Consumer and Professional film business. The Board of Directors elected him a corporate vice president in July 2002.

Kruchten's career at Kodak began in 1982 as a Quality Engineer. In 1986, he moved into a sales position for Copy Products and over the next five years held a number of sales and marketing positions within Printer Products and Business Imaging Systems. In 1993, Kruchten became a product line manager for Business Imaging Systems. In 1998, he was named Strategic Business Unit Manager and a divisional vice president of the Capture and Services business within the Document Imaging unit. During his tenure, Kodak introduced a number of scanners which made the company the world's leading seller of high-speed production scanning. In 2000, Kruchten was named Chief Operating Officer and vice president of the Document Imaging unit. As COO, he led the acquisition of the Imaging division of Bell & Howell. In 2001, Kruchten was named Site Manager, Kodak Colorado

Division, and became a divisional vice president of Kodak's Global Manufacturing unit. In 2002, he was the Chief Executive Officer of Encad Inc., a wholly-owned Kodak subsidiary.

Prior to Kodak, Kruchten worked as a project engineer at Inland Steel and as a tool designer for General Motors Corp.

Kruchten has a B.S. degree in Engineering from Michigan State University, an M.S. in Statistics and Quality Management from the Rochester Institute of Technology, and has attended the Executive Management Development program at Penn State University.

Eric-Yves Mahe

Effective January 1, 2015, Eric-Yves Mahe is President of Software and Solutions, which serves existing and future workflow software customers with software to manage digital and conventional print content from creation to output, as well as serving enterprise customers primarily in the government and financial services sectors with managed media services to assist with printing requirements and document management services, including the capture, archiving, retrieval and delivery of documents. He reports to Chief Executive Officer Jeff Clarke.

Beginning April 2014, Mahe was Senior Vice President Kodak Technology Solutions, Sales Strategy and Sales Operations. In that capacity, Mahe was responsible for formulating a strategy to drive and measure sales of Kodak’s unique and innovative portfolio of hardware, consumables, software and services. Mahe also advised Kodak’s senior management team on software, OEM partnerships and the sale of complex solutions. In April 2014, the Board of Directors elected Mahe a senior vice president.

Mahe has more than 25 years of experience in the IT industry with several multinational companies. Prior to joining Kodak, he was based in Singapore with Pitney Bowes Inc., most recently as President, Global Growth Markets, with responsibility for the company’s operations in Latin America, Asia Pacific, Middle East, Africa and emerging markets, from July 2010 until March 2014. Mahe managed this innovation-centered business from inception, and in two years, it became Pitney Bowes’s best performing operation worldwide. Mahe joined Pitney Bowes in 2007 as President, Asia Pacific, Middle East and Africa.

Previously, Mahe was Vice President and General Manager of Asia North for CA, Inc. (now called CA Technologies), with responsibility for business operations and enterprise sales in China, Hong Kong and Taiwan. He also has held sales management positions with Sun Microsystems, where he focused on OEM partnerships; Siemens Nixdorf; and Xerox.

Mahe earned his MBA. in Marketing and International Trade from Ecole Superieure de Commerce et d’Administration des Enterprises in Bretagne, France.

John O’Grady

Effective January 1, 2016, John O’Grady is General Manager, Worldwide Sales, Print Systems Division. In this role, O’Grady manages the sales, service and regional marketing for the Print Systems Division on a worldwide basis in addition to the go-to-market back office operations for Kodak. He reports to Chief Executive Officer Jeff Clarke and Brad Kruchten, President, Print Systems Division.

From January 2015 to December 2015, O’Grady was Managing Director of the Europe, United States and Canada, Australia and New Zealand (EUCAN) Region. From December 2010 to December 2014, he was Managing Director, U.S. & Canada Region. From December 2008 to December 2010, O’Grady was Regional Managing Director, Europe, Africa and Middle East Region (EAMER) and Chairman Eastman Kodak Sàrl, and from May 2007 to December 2008, he was Managing Director, EAMER, Consumer Businesses. The Board of Directors elected him a corporate vice president in March 2007, and then a senior vice president in August 2016.

O’Grady joined Kodak in 1997 following a 12-year career at Verbatim, and has held key business development and regional management positions in Kodak’s digital imaging businesses.

O’Grady graduated from the University of Limerick in Ireland with a Bachelor of Science degree in Electronics.

Steven Overman

Effective January 1, 2015, Steven Overman is President of the Consumer and Film Division and Kodak’s Chief Marketing Officer. He reports to Chief Executive Officer Jeff Clarke.

As President of the Consumer and Film Division, Overman leads Kodak’s most consumer-facing division, with responsibility for consumer inkjet solutions, motion picture and commercial films, synthetic chemicals, and consumer products. This division is responsible for the exploration of other potential initiatives in the consumer space.

In his Chief Marketing Officer role, Overman is responsible for leading a global, company-wide renewal of the Kodak brand to increase its power, relevance and value. He leads the strategic development and coordination of Kodak‘s brand identity; global marketing programs and activities; and communication of Kodak’s vision, strategy and progress in an integrated way to all of the company’s stakeholders. The Board of Directors elected him a senior vice president effective January 2015.

Overman previously served as vice president and global head of brand strategy and marketing creation for Nokia from June 2010 until April 2013. He founded Match & Candle, a consultancy supporting startups and marketing service agencies with brand strategy development in September 2013 and was there until October 2014. He also held several different leadership roles in technology companies and marketing services agencies. In those roles, his responsibilities included corporate brand strategy and execution, product and service innovation, corporate strategic initiatives, product launches and sales development. He was among the first employees at Wired.

Overman is a graduate of the Rhode Island School of Design.

Eric H. Samuels

Eric Samuels was appointed Corporate Controller and Chief Accounting Officer in July 2009. Samuels previously served as the Company's Assistant Corporate Controller and brings to his position more than 20 years of leadership experience in corporate finance and public accounting. He joined Kodak in 2004 as Director, Accounting Research and Policy. He reports to Chief Financial Officer David Bullwinkle.

Prior to joining Kodak, Samuels had a 14-year career in public accounting during which he served as a senior manager at KPMG LLP's Department of Professional Practice (National Office) in New York City. Prior to joining KPMG in 1996, he worked in Ernst & Young's New York City office.

Samuels has a B.S. degree in business economics from the State University of New York College at Oneonta. He is a Certified Public Accountant in New York and a member of the American Institute of Certified Public Accountants.

Terry R. Taber, PhD

Terry Taber joined Kodak in 1980. In January 2009, he was named Chief Technical Officer, a position he currently holds. The Board of Directors elected him a corporate vice president in December 2008, and then a senior vice president in December 2010. Effective January 1, 2015, Taber was named President of the newly created Intellectual Property Solutions segment, which contains the research laboratories and includes licensing as well as new business development activities related to Kodak's patents and proprietary technology. He reports to Chief Executive Officer Jeff Clarke.

Taber was previously the Chief Operating Officer of Kodak's Image Sensor Solutions ("ISS") business, a leading developer of advanced CCD and CMOS sensors serving imaging and industrial markets. Prior to joining ISS in 2007, Taber held a series of senior positions in Kodak's research and development and product organizations. During his more than 35 years at Kodak, Taber has been involved in new materials research, product development and commercialization, manufacturing, and executive positions in R&D and business management.

Taber's early responsibilities included research on new synthetic materials, an area in which he holds several patents. He then became a program manager for several film products before completing the Sloan Fellows program at the Massachusetts Institute of Technology ("MIT"). He returned from MIT to become the worldwide consumer film business product manager from 1999 to 2002, and then became an Associate Director of R&D from 2002 to 2005, followed by a position as the director of Materials & Media R&D from 2005 to 2007.

Taber received a B.S. degree in Chemistry from Purdue University and a Ph.D. in Organic Chemistry from the California Institute of Technology. He also received an M.S. in General Management from MIT as a Kodak Sloan Fellow. Taber was a Board Member of the Innovation & Material Sciences Institute and serves on the Executive Advisory Board of FIRST Rochester (For Inspiration and Recognition of Science and Technology). He also serves on the Executive Committee of the Greater Rochester Chamber of Commerce and on the Board of Trustees for Roberts Wesleyan College and Northeastern Seminary.

Sharon E. Underberg

Sharon Underberg has served as General Counsel, Secretary and Senior Vice President since January 2015. She is responsible for leading the company's global legal function and for providing legal guidance to senior leadership and the Board of Directors. Underberg reports to Chief Executive Officer Jeff Clarke.

Underberg has been an attorney with Kodak for over 27 years, previously serving as Deputy General Counsel and Vice President, Legal Department from September 2014 to January 2015, and as Assistant General Counsel and Vice President, Legal Department, from June 2006 until September 2014. For much of her tenure with Kodak, she has specialized in global commercial transactions, particularly acquisitions, divestitures, joint ventures and corporate financings. Underberg led the legal team on numerous deals, including the completion of the acquisitions of the Kodak Polychrome Graphics and NexPress joint ventures, the divestiture of the Health Imaging business, and the spinoff of the PI / DI Business. She has advised on every major financing transaction the Company has completed in the past 15 plus years. In addition, Underberg was an instrumental part of the team that led the Company through its chapter 11 restructuring, providing advice on a wide range of contractual, litigation, financing, and divestiture activities.

Underberg has been a manager in the Legal Department since 2006. During this time, she led legal teams in a wide variety of substantive areas, including corporate, transactional and commercial matters worldwide. From 2004 to 2006, Underberg served as Assistant Secretary, working with the Board of Directors and senior management on matters related to corporate governance, executive compensation, and SEC reporting and disclosure.

Prior to joining Kodak, Underberg was an attorney in the New York City office of international law firm Fulbright & Jaworski (currently Norton Rose Fulbright).

Underberg received a B.A. degree in political science from Brandeis University and a J.D. from the University of Pennsylvania School of Law.

PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is listed on the New York Stock Exchange (NYSE) under the symbol "KODK" and has been trading since September 23, 2013, following emergence from bankruptcy on September 3, 2013 after confirmation of the revised First Amended Joint Chapter 11 Plan of Reorganization.

There were 2,903 shareholders of record of common stock on December 31, 2016.

Information regarding securities authorized for issuance under equity compensation plans is included in Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" under the caption "Equity Compensation Plan Information."

MARKET PRICE DATA

The market price data below reflects the high and low sales price of the Company's stock.

| | 2016 | | 2015 | |
|---|---|---|---|---|
| Price per share: | High | Low | High | Low |
| 1st Quarter | $12.47 | $7.56 | $22.17 | $17.80 |
| 2nd Quarter | $16.80 | $10.00 | $20.97 | $16.54 |
| 3rd Quarter | $17.29 | $14.01 | $16.92 | $13.25 |
| 4th Quarter | $17.30 | $13.87 | $17.31 | $10.75 |

DIVIDEND INFORMATION

No dividends on common stock were declared or paid during 2015 or 2016.

Dividends for common shareholders may be restricted under Kodak's Credit Agreements and the Series A Preferred Stock Agreement. Refer to Note 8, "Debt and Capital Leases," and Note 18, "Redeemable, Convertible Series A Preferred Stock" in the Notes to Financial Statements.

PERFORMANCE GRAPH - SHAREHOLDER RETURN

The following graph compares the performance of the Company's common stock with the performance of the Standard & Poor's (S&P) Small Cap 600 Information Technology Index, the Russell 2000 Index (in which the Company is currently included), the S&P Information Technology Index and the S&P Midcap 400 Composite Stock Price Index by measuring the quarterly changes in common stock prices from September 23, 2013, plus reinvested dividends. Prior to 2016, the performance of the Company's common stock was compared to the S&P Information Technology Index and the S&P Midcap 400 Composite Stock Price Index. In 2016, the Company reviewed the indices being used and determined the market capitalization of the companies included in the S&P Small Cap 600 Information Technology Index and the Russell 2000 Index was more comparable to the Company's market capitalization. The comparison with the performance of the S&P Information Technology Index and the S&P Midcap 400 Composite Stock Price Index is presented during the transition to the S&P Small Cap 600 Information Technology Index and the Russell 2000 Index.

| | 9/23/13 | 12/13 | 6/14 | 12/14 | 6/15 | 12/15 | 6/16 | 12/16 |
|---|---|---|---|---|---|---|---|---|
| Eastman Kodak Company | 100.00 | 178.92 | 126.13 | 111.91 | 86.60 | 64.64 | 82.89 | 79.90 |
| S&P Midcap 400 | 100.00 | 113.98 | 122.52 | 125.11 | 130.36 | 122.39 | 132.10 | 147.77 |
| Russell 2000 | 100.00 | 115.66 | 119.35 | 121.32 | 127.09 | 115.96 | 118.53 | 140.67 |
| S&P Information Technology | 100.00 | 116.52 | 126.94 | 139.96 | 141.03 | 148.25 | 147.79 | 168.79 |
| S&P Small Cap 600 Information Technology | 100.00 | 113.53 | 113.83 | 119.29 | 116.86 | 113.34 | 118.09 | 146.93 |

ISSUER PURCHASES OF EQUITY SECURITIES DURING THE QUARTER ENDED DECEMBER 31, 2016 (1)

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2] | Maximum That May Be Purchased under the Plans or Programs |
|---|---|---|---|---|
| October 1 through 31, 2016 | 5,389 | 15.00 | n/a | n/a |
| December 1 through 31, 2016 | 17,736 | 16.35 | n/a | n/a |
| Total | 23,125 | 16.04 | | |

[1] These purchases were made to satisfy tax withholding obligations in connection with the vesting of restricted stock units issued to employees.
[2] Kodak does not currently have a publicly announced repurchase plan or program.

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ITEM 6. SELECTED FINANCIAL DATA

As a result of the application of fresh-start accounting as of September 3, 2013, following the Company's emergence from bankruptcy, the financial statements prior to September 3, 2013 are not comparable with the financial statements after September 3, 2013. References to "Successor" relate to the reorganized Kodak subsequent to September 3, 2013. References to "Predecessor" refer to Kodak prior to September 3, 2013.

SUMMARY OF OPERATING DATA – UNAUDITED

| (in millions, except per share data, shareholders, and employees) | Successor 2016 | 2015 (5) | 2014 (5) | September 1, 2013 through December 31, 2013 (5) | Predecessor January 1, 2013 through August 31, 2013 (5) | 2012 (5) |
|---|---|---|---|---|---|---|
| Net revenues from continuing operations | $1,543 | $1,709 | $2,046 | $ 782 | $1,508 | $2,751 |
| Earnings (loss) from continuing operations before interest expense, loss on extinguishment of debt, other (charges) income, net, reorganization items, net, and income taxes | 140 | 91 | 47 | (27) | 507 | (642) |
| | | | | | | |
| Earnings (loss) from: | | | | | | |
| Continuing operations | 46 | (28) | (59) | (63) | 2,250 | (1,337) |
| Discontinued operations (4) | (30) | (47) | (59) | (15) | (184) | (42) |
| Net earnings (loss) | 16 | (75) | (118) (1) | (78) | 2,066 (2) | (1,379) (3) |
| Less: Net earnings attributable to non-controlling interests | 1 | 5 | 5 | 3 | — | — |
| Net Earnings (Loss) Attributable to Eastman Kodak Company | 15 | (80) | (123) | (81) | 2,066 | (1,379) |
| | | | | | | |
| Earnings and Dividends | | | | | | |
| Basic and diluted earnings (loss) per share attributable to Eastman Kodak Company common shareholders: | | | | | | |
| Continuing operations | 0.99 | (0.79) | (1.54) | (1.58) | 8.25 | (4.92) |
| Discontinued operations | (0.71) | (1.12) | (1.41) | (0.36) | (0.67) | (0.15) |
| Total | 0.28 | (1.91) | (2.95) | (1.94) | 7.58 | (5.07) |
| Cash dividends declared and paid | — | — | — | — | — | — |
| Number of common shares used in basic and diluted earnings (loss) per share | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Basic | 42.2 | 41.9 | 41.7 | 41.7 | 272.7 | 271.8 |
| Diluted | 42.5 | 41.9 | 41.7 | 41.7 | 272.7 | 271.8 |
| Shareholders at year end | 2,903 | 2,997 | 4,860 | 1,511 | N/A | 48,656 |
| | | | | | | |
| Statement of Financial Position Data | | | | | | |
| Working capital (current assets less current liabilities) | 695 | 819 | 952 | 1,086 | 564 | (806 ) |
| Property, plant and equipment, net | 298 | 394 | 501 | 684 | 507 | 607 |
| Total assets | 1,776 | 2,138 | 2,556 | 3,200 | 3,037 | 4,321 |
| Short-term borrowings and current portion of long-term debt | 5 | 6 | 5 | 4 | 681 | 699 |
| Long-term debt, net of current portion | 402 | 679 | 672 | 674 | 370 | 740 |
| Redeemable, convertible Series A preferred stock | 156 | — | — | — | — | — |
| | | | | | | |
| Supplemental Information | | | | | | |
| Employees as of year end | | | | | | |
| - in the U.S. | 2,700 | 2,800 | 3,200 | 3,600 | n/a | 5,980 |
| - worldwide | 6,100 | 6,400 | 7,300 | 8,800 | n/a | 13,100 |

SUMMARY OF OPERATING DATA – UNAUDITED (CONT'D)

Historical results are not indicative of future results.

(1) Includes $70 million in revenues from non-recurring intellectual property agreements that increased net after-tax income from continuing operations by $70 million.
(2) Includes proceeds of $535 million from the sale and licensing of certain intellectual property assets, pre-tax goodwill impairment charges of $77 million; income of $2,026 million in pre-tax reorganization items, net; and net charges of $84 million related to discrete tax items. These items increased after-tax income from continuing operations by $2.4 billion.
(3) Includes $843 million in pre-tax reorganization items, net; and a net benefit of $320 million related to discrete tax items. These items increased net after-tax loss from continuing operations by $523 million.
(4) Refer to Note 26, "Discontinued Operations" in the Notes to Financial Statements for a discussion regarding the (loss) earnings from discontinued operations.
(5) Effective in the first quarter of 2016, due to a determination to sell the KODAK PROSPER Enterprise Inkjet Business (the "Prosper Business"), results for 2013, 2014 and 2015 were revised to report the Prosper Business as discontinued operations. Results for 2012 were not revised. Additionally, the related assets and liabilities of the Prosper Business are classified as held for sale for 2014, 2015 and 2016. The related assets and liabilities of the Prosper Business are not classified as held for sale for 2012 or 2013.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help the reader understand the results of operations and financial condition of Kodak for the years ended December 31, 2016, 2015 and 2014. All references to Notes relate to Notes to the Financial Statements in Item 8. “Financial Statements and Supplementary Data.”

CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report on Form 10-K includes "forward–looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995.

Forward–looking statements include statements concerning Kodak’s plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, liquidity, investments, financing needs and business trends and other information that is not historical information. When used in this document, the words “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “predicts,” “forecasts,” “strategy,” “continues,” “goals,” “targets” or fu conditional verbs, such as “will,” “should,” “could,” or “may,” and similar expressions, as well as statements that do not relate strictly to historical or current facts, are intended to identify forward–looking statements. All forward–looking statements, including management’s examination of historical operating trends and data, are based upon Kodak’s expectations and various assumptions. Future events or results may differ from those anticipated or expressed in the forward-looking statements. Important factors that could cause actual events or results to differ materially from the forward-looking statements include, among others, the risks and uncertainties described in more detail in this report on Form 10–K under the headings “Business,” “Risk Factors,” “Legal Proceedings” and/or “Management’s Discussion and Analysis of Financial Condition and Results of Operations–Liquidity and Capital Resources,” and in other filings the Company makes with the SEC from time to time, as well as the following:

- Kodak’s ability to improve and sustain its operating structure, cash flow, profitability and other financial results;
- the ability of Kodak to achieve cash forecasts, financial projections, and projected growth;
- Kodak’s ability to achieve the financial and operational results contained in its business plans;
- Kodak’s ability to fund continued investments, capital needs and restructuring payments and service its debt and Series A Preferred Stock;
- Kodak’s ability to discontinue, sell or spin-off certain businesses or operations, including the Prosper Business, or otherwise monetize assets;
- changes in foreign currency exchange rates, commodity prices and interest rates;
- Kodak’s ability to effectively anticipate technology trends and develop and market new products, solutions and technologies;
- Kodak’s ability to effectively compete with large, well-financed industry participants;
- Kodak’s ability to comply with the covenants in its various credit facilities;
- continued sufficient availability of borrowings and letters of credit under the Amended Credit Agreement, Kodak’s ability to obtain additional financing if and as needed and Kodak’s ability to provide or facilitate financing for its customers;
- the performance by third parties of their obligations to supply products, components or services to Kodak; and
- the impact of the global economic environment on Kodak.

There may be other factors that may cause Kodak’s actual results to differ materially from the forward–looking statements. All forward–looking statements attributable to Kodak or persons acting on its behalf apply only as of the date of this report on Form 10-K and are expressly qualified in their entirety by the cautionary statements included in this document. Kodak undertakes no obligation to update or revise forward–looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

### Revenue Recognition

Kodak's revenue transactions include sales of products (such as components and consumables for use in Kodak, and other manufacturers' equipment, and film based products), equipment, software, services, integrated solutions, and intellectual property and brand licensing. Complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. For equipment sales, revenue recognition may depend on completion of installation based on the type of equipment, level of customer specific customization and other contractual terms. In instances in which the agreement with the customer contains a customer acceptance clause, revenue is deferred until customer acceptance is obtained, provided the customer acceptance clause is considered to be substantive.

At the time revenue is recognized, Kodak also records reductions to revenue for customer incentive programs. Such incentive programs include cash and volume discounts and promotional allowances. For those incentives that require the estimation of sales volumes or redemption rates, such as for volume rebates, Kodak uses historical experience and both internal and customer data to estimate the sales incentive at the time revenue is recognized. In the event that the actual results of these items differ from the estimates, adjustments to the sales incentive accruals are recorded.

Future market conditions and product transitions may require Kodak to take actions to increase customer incentive offers, possibly resulting in an incremental reduction of revenue at the time the incentive is offered.

Valuation and Useful Lives of Long-Lived Assets, Including Goodwill and Intangible Assets

Kodak performs a test for goodwill impairment annually and whenever events or changes in circumstances occur that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

Goodwill is tested for impairment at a level of reporting referred to as a reporting unit, which is an operating segment or one level below an operating segment (a component) if the component constitutes a business for which discrete financial information is available and regularly reviewed by segment management.

The Print Systems segment has two goodwill reporting units: Prepress Solutions and Electrophotographic Printing Solutions. The Micro 3D Printing and Packaging segment has two goodwill reporting units: Packaging and Micro 3D Printing. The Software and Solutions segment has two goodwill reporting units: Kodak Technology Solutions and Unified Workflow Solutions. The Consumer and Film segment has three goodwill reporting units: Consumer Inkjet Solutions, Motion Picture, Industrial Chemicals and Films and Consumer Products. The Enterprise Inkjet Systems segment, Intellectual Property Solutions segment and Eastman Business Park segment all have one goodwill reporting unit. Goodwill is recorded in the Prepress Solutions, Packaging, United Workflow Solutions, Consumer Inkjet Solutions and Consumer Products reporting units.

If the fair value of a reporting unit is less than its carrying value, Kodak must determine the implied fair value of the goodwill associated with that reporting unit. The implied fair value of goodwill is determined by first allocating the fair value of the reporting unit to all of its assets and liabilities and then computing the excess of the reporting unit's fair value over the amounts assigned to the assets and liabilities. If the carrying value of goodwill exceeds the implied fair value of goodwill, such excess represents the amount of goodwill impairment charge that must be recognized.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. Kodak estimates the fair value of its reporting units using the guideline public company method and discounted cash flow method. To estimate fair value utilizing the guideline public company method, Kodak applies valuation multiples, derived from the operating data of publicly-traded benchmark companies, to the same operating data of the reporting units. The valuation multiples are based on earnings before interest, taxes, depreciation and amortization ("EBITDA"). To estimate fair value utilizing the discounted cash flow method, Kodak establishes an estimate of future cash flows for each reporting unit and discounts those estimated future cash flows to present value.

Kodak performed a quantitative test of impairment for all reporting units for its annual impairment test as of December 31, 2016. Except for Consumer Inkjet Solutions, Kodak utilized the discounted cash flow method and guideline public company method for the reporting units with goodwill. For these reporting units, Kodak selected equal weighting of the guideline public company method and the discounted cash flow method as the valuation approaches produced comparable ranges of fair value. Fair values for the other reporting units were estimated using the discounted cash flow method only.

To estimate fair value utilizing the discounted cash flow method, Kodak established an estimate of future cash flows for the period ranging from January 1, 2017 to December 31, 2021 and discounted the estimated future cash flows to present value. The expected cash flows were derived from earnings forecasts and assumptions regarding growth and margin projections, as applicable. The discount rates are estimated based on an after-tax weighted average cost of capital ("WACC") for each reporting unit reflecting the rate of return that would be expected by a market participant. The WACC also takes into consideration a company specific risk premium for each reporting unit reflecting the risk associated with the overall uncertainty of the financial projections. Discount rates of 10.1% to 21.2% were utilized in the valuation based on Kodak's best estimates of the after-tax weighted-average cost of capital of each reporting unit.

A terminal value was included for all reporting units, except for the Consumer Inkjet Solutions reporting unit, at the end of the cash flow projection period to reflect the remaining value that the reporting unit is expected to generate.  The terminal value was calculated using either the constant growth method ("CGM") based on the cash flows of the final year of the discrete period or the H-model, which assumes the growth during the terminal period starts at a higher rate and declines in a linear manner over a specified transition period toward a stable growth rate.

Based upon the results of Kodak's December 31, 2016 analysis, Kodak concluded that no impairment of goodwill was indicated.  Impairment of goodwill could occur in the future if a reporting unit's fair value changes significantly, if Kodak's market capitalization significantly declines, if a reporting unit's carrying value changes materially compared with changed in its fair values, or as a result of changes in operating segments or reporting units.

The carrying value of the indefinite-lived intangible asset related to the Kodak trade name is evaluated for potential impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that the asset is impaired.  Kodak performed the annual test of impairment as of December 31, 2016.

The fair value of the Kodak trade name, which has a carrying value of $40 million, was valued using the income approach, specifically the relief from royalty method based on the following significant assumptions: (a) forecasted revenues ranging from January 1, 2017 to December 31, 2021, including a terminal year with growth rates ranging from –3% to 3%; (b) royalty rates ranging from .5% to 1% of expected net sales determined with regard to comparable market transactions and profitability analysis; and (c) discount rates ranging from 10.1% to 21.2%, which were based on the after-tax weighted-average cost of capital.

Based on the results of Kodak's December 31, 2016 assessment, no impairment of the Kodak trade name was indicated. Impairment of the Kodak trade name could occur in the future if expected revenues decline or if there are significant changes in the discount or royalty rates.

Long-lived assets other than goodwill and indefinite-lived intangible assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. When evaluating long-lived assets for impairment, the carrying value of an asset group is compared to its estimated undiscounted future cash flows. An impairment is indicated if the estimated future cash flows are less than the carrying value of the asset group. The impairment is the excess of the carrying value over the fair value of the long-lived asset group.

The value of property, plant, and equipment is depreciated over its expected useful life in such a way as to allocate it as equitably as possible to the periods during which services are obtained from their use, which aims to distribute the value over the remaining estimated useful life of the unit in a systematic and rational manner. An estimate of useful life not only considers the economic life of the asset, but also the remaining life of the asset to the entity. Impairment of long-lived assets other than goodwill and indefinite lived intangible assets could occur in the future if expected future cash flows decline or if there are significant changes in the estimated useful life of the assets.

Taxes

Kodak recognizes deferred tax liabilities and assets for the expected future tax consequences of operating losses, credit carry-forwards and temporary differences between the carrying amounts and tax basis of Kodak's assets and liabilities. Kodak records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized. Kodak has considered forecasted earnings, future taxable income, the geographical mix of earnings in the jurisdictions in which Kodak operates and prudent and feasible tax planning strategies in determining the need for these valuation allowances. As of December 31, 2016, Kodak has net deferred tax assets before valuation allowances of approximately $1,228 million and a valuation allowance related to those net deferred tax assets of approximately $1,209 million, resulting in net deferred tax assets of approximately $19 million. The net deferred tax assets can be used to offset taxable income in future periods and reduce Kodak's income tax payable in those future periods. At this time, it is considered more likely than not that taxable income in the future will be sufficient to allow realization of these net deferred tax assets. However, if Kodak is unable to generate sufficient taxable income, then a valuation allowance to reduce net deferred tax assets may be required, which could materially increase expenses in the period the valuation allowance is recognized. Conversely, if Kodak were to make a determination that it is more likely than not that deferred tax assets, for which there is currently a valuation allowance, would be realized, the related valuation allowance would be reduced and a benefit to earnings would be recorded. Kodak considers both positive and negative evidence in determining whether a valuation allowance is needed by territory including, but not limited to, whether particular entities are in three-year cumulative income positions.

In general, the amount of tax expense or benefit from continuing operations is determined without regard to the tax effects of other categories of income or loss, such as Other comprehensive (loss) income. However, an exception to this rule applies when there is a loss from continuing operations and income from items outside of continuing operations that must be considered. This exception requires that income from discontinued operations and items charged or credited directly to other comprehensive income be considered in determining the amount of tax benefit that results from a loss in continuing operations. This exception affects the allocation of the tax provision amongst categories of income.

The undistributed earnings of Kodak's foreign subsidiaries are not considered permanently reinvested. Kodak has a deferred tax liability (net of related foreign tax credits) of $56 million and $102 million on the foreign subsidiaries' undistributed earnings as of December 31, 2016 and 2015, respectively. Kodak also has a deferred tax liability of $20 million and $19 million for the potential foreign withholding taxes on the undistributed earnings as of December 31, 2016 and 2015, respectively.

Kodak operates within multiple taxing jurisdictions worldwide and is subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time for resolution. Management's ongoing assessments of the outcomes of these issues and related tax positions require judgment, and although management believes that adequate provisions have been made for such issues, there is the possibility that the ultimate resolution of such issues could have an adverse effect on the earnings of Kodak. Conversely, if these issues are resolved favorably in the future, the related provisions would be reduced, thus having a positive impact on earnings.

Pension and Other Postretirement Benefits

Kodak's defined benefit pension and other postretirement benefit costs and obligations are estimated using several key assumptions. These assumptions, which are reviewed at least annually by Kodak, include the discount rate, long-term expected rate of return on plan assets ("EROA"), salary growth, healthcare cost trend rate, mortality trends and other economic and demographic factors. Actual results that differ from Kodak's assumptions are recorded as unrecognized gains and losses and are amortized to earnings over the estimated future service period of the active participants in the plan or, if the plan is almost entirely inactive, the average remaining lifetime expectancy of inactive participants, to the extent such total net unrecognized gains and losses exceed 10% of the greater of the plan's projected benefit obligation or the calculated value of plan assets. Significant differences in actual experience or significant changes in future assumptions would affect Kodak's pension and other postretirement benefit costs and obligations.

Asset and liability modeling studies are utilized by Kodak to adjust asset exposures and review a liability hedging program through the use of forward-looking correlation, risk and return estimates. Those forward-looking estimates of correlation, risk and return generated from the modeling studies are also used to estimate the EROA. The EROA is estimated utilizing a forward-looking building block model factoring in the expected risk of each asset category, return and correlation over a five to seven-year horizon, and weighting the exposures by the current asset allocation. Historical inputs are utilized in the forecasting model to frame the current market environment with adjustments made based on the forward-looking view.

Kodak aggregates investments into major asset categories based on the underlying benchmark of the strategy. Kodak's asset categories include broadly diversified exposure to U.S. and non-U.S. equities, U.S. and non-U.S. government and corporate bonds, inflation-linked bonds, commodities and absolute return strategies. Each allocation to these major asset categories is determined within the overall asset allocation to accomplish unique objectives, including enhancing portfolio return, providing portfolio diversification, or hedging plan liabilities.

The EROA, once set, is applied to the calculated value of plan assets in the determination of the expected return component of Kodak's pension expense. Kodak uses a calculated value of plan assets, which recognizes gains and losses in the fair value of assets over a four-year period, to calculate expected return on assets. At December 31, 2016, the calculated value and the fair value of the assets of Kodak's major U.S. and non-U.S. defined benefit pension plans were both approximately $4.3 billion. Asset gains and losses that are not yet reflected in the calculated value of plan assets are not included in amortization of unrecognized gains and losses.

Kodak reviews its EROA assumption annually. To facilitate this review, every three years, or when market conditions change materially, Kodak's larger plans will undertake asset allocation or asset and liability modeling studies. The weighted average EROA used to determine the 2016 net pension expense for major U.S. and non-U.S. defined benefit pension plans was 7.40 % and 4.65%, respectively.

Generally, Kodak bases the discount rate assumption for its significant plans on high quality corporate bond yields in the respective countries as of the measurement date. Specifically, for its U.S., Canadian, Euro-zone and UK plans, Kodak determines a discount rate using a cash flow model to incorporate the expected timing of benefit payments and an AA-rated corporate bond yield curve. For Kodak's U.S. plans, the Citigroup Above Median Pension Discount Curve is used. For Kodak's other non-U.S. plans, discount rates are determined by comparison to published local high quality bond yields or indices considering estimated plan duration and removing any outlying bonds, as warranted.

Kodak uses the spot yield curve approach to estimate the service and interest costs by applying the specific spot rates along the yield curve used to determine the benefit obligations to relevant projected cash outflows.

The salary growth assumptions are determined based on Kodak's long-term actual experience and future and near-term outlook. The healthcare cost trend rate assumptions are based on historical cost and payment data, the near-term outlook and an assessment of the likely long-term trends.

The following table illustrates the sensitivity to a change to certain key assumptions used in the calculation of expense for the year ending December 31, 2017 and the projected benefit obligation ("PBO") at December 31, 2016 for Kodak's major U.S. and non-U.S. defined benefit pension plans:

| (in millions) | Impact on 2017 Pre-Tax Pension Expense Increase (Decrease) | | Impact on PBO December 31, 2016 Increase (Decrease) | |
|---|---|---|---|---|
| | U.S. | Non-U.S. | U.S. | Non-U.S. |
| Change in assumption: | | | | |
| 25 basis point decrease in discount rate | $ — | $ — | $ 86 | $ 23 |
| 25 basis point increase in discount rate | 6 | — | (83) | (22) |
| 25 basis point decrease in EROA | 9 | 2 | N/A | N/A |
| 25 basis point increase in EROA | (9) | (2) | N/A | N/A |

Total pension income from continuing operations before special termination benefits, curtailments and settlements for the major defined benefit pension plan in the U.S. was $137 million for 2016 and is expected to be approximately $123 million in 2017. Pension income from continuing operations before special termination benefits, curtailments and settlements for the major non-U.S. defined benefit pension plans was $11 million for 2016 and is projected to be approximately $8 million in 2017. The reductions in income are driven primarily by lower EROA assumptions in 2017.

Inventories

Inventories are stated at the lower of cost or market. Carrying values of excess and obsolete inventories are reduced to net realizable value. Judgment is required to assess the ultimate demand for and realizable value of inventory. The analysis of inventory carrying values considers several factors including length of time inventory is on hand, historical sales, product shelf life, product life cycle, product category, and product obsolescence.

Accounts Receivable Reserves

Accounts receivable reserves are based on historical collections experience as well as reserves for specific receivables deemed to be at risk for collection. The collectability of customer receivables is reviewed on an ongoing basis considering past due invoices and the current creditworthiness of each customer. Judgment is required in assessing the ultimate realization of accounts receivables.

OVERVIEW

Revenue declined $166 million (9.7%) from 2015 to 2016 and $337 million from 2014 to 2015 (16.5%). Operating cost reductions more than offset the resulting impact of the revenue decline in earnings.

Kodak's strategy is to:

- Use Kodak's divisional structure to drive accountability, transparency, and speed of decision making;

- Focus product investment in growth engines - Sonora, Packaging, Micro 3D Printing and Software and Services;
- Maintain stable market leadership position and cash flows associated with Print Systems;
- Manage the expected decline in and maximize cash generated by mature businesses;
- Continue to streamline processes to drive cost reductions and improve operating leverage; and
- Continue to explore opportunities to monetize the asset base.

A discussion of opportunities and challenges related to Kodak's strategy follows:

- Print Systems' digital plate products include traditional digital plates and KODAK SONORA Process Free Plates. SONORA process free plates allow Kodak customers to skip the plate processing step prior to mounting plates on a printing press. This improvement in the printing process saves time and costs for customers. Also, SONORA process free plates reduce the environmental impact of the printing process because they eliminate the use of chemicals (including solvents), water and power that is otherwise required to process a traditional plate. While traditional digital plate offerings are experiencing pricing pressure, innovations in Kodak product lines which command premium prices, such as SONORA Process Free Plates, are expected to offset some of the long-term price erosion in the market. Print Systems' revenues declined $88 million (8.0%) in 2016 and $151 million (12.0%) in 2015, driven by competitive pricing pressures, lower volumes and, in 2015, the adverse impact of foreign currency. Despite the revenue decline, segment earnings increased $5 million from 2014 to 2015 and $6 million from 2015 to 2016 due to cost reductions.
- In Micro 3D Printing and Packaging, the earnings contribution from Packaging offsets the cost of developing the Micro 3D Printing business. Kodak expects growth in Packaging, as well as the transition from investment to commercialization of product in Micro 3D Printing, will result in revenue and earnings growth in this segment.
- The Software and Solutions segment is comprised of Unified Workflow Solutions and Kodak Technology Solutions, which includes Enterprise Services and Solutions. Unified Workflow Solutions is an established product line, whereas Kodak Technology Solutions includes growing product lines that leverage existing technologies and intellectual property in new applications. These business initiatives generally do not require substantial additional investment, and Kodak expects that they will grow in contribution to earnings. Software and Solutions' revenue declined $26 million (23.2%) in 2016, primarily due to reductions in government contracts within Kodak Technology Solutions, compared to a $4 million (3.7%) increase from 2014 to 2015. Kodak Technology Solutions revenues are project based and can vary from year to year depending on the nature and number of projects in existence in a given year.
- The Consumer and Film segment's revenues are expected to stabilize and grow modestly. Consumer and Film's revenue declined $49 million (18.5%) from 2016 to 2015 and $87 million (24.7%) from 2014 to 2015. Earnings of the Consumer and Film segment declined $36 million (69.2%) and $14 million (21.2%) from 2015 to 2016 and from 2014 to 2015, respectively, primarily due to lower sales of ink as a result of the declining installed base of Consumer Inkjet Printers. Kodak plans to continue to promote the use of film to utilize as much film manufacturing capacity as possible. The division will seek to develop consumer products, both with internal resources and also through partnerships with external companies, which can benefit from the Kodak brand as well as enter into agreements for the license of the Kodak brand.
- Film and related component manufacturing operations and Kodak Research Laboratories utilize capacity at Eastman Business Park ("EBP"), which helps cost absorption at EBP.
- Selling, general and administrative expenses ("SG&A") and research and development ("R&D") expenses declined a combined $36 million (14.5%) compared with 2015 and $100 million (28.7%) from 2014 to 2015, as the result of a number of actions including headcount reductions, reduced overhead costs, savings from global benefit changes, facilities consolidations, renegotiations of vendor contracts and the focusing of R&D spending on materials science. Lower interest cost on pension plans also impacted operating costs.
- Kodak plans to continue to pursue monetization of its asset base, including selling the Prosper Business, selling and licensing intellectual property, selling and leasing excess capacity in its properties, and pursuing rights to an earn-out from a previous divestiture.

DETAILED RESULTS OF OPERATIONS

Net Revenues from Continuing Operations by Reportable Segment

| (in millions) | Year Ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| Print Systems | $1,018 | $1,106 | $1,257 |
| Micro 3D Printing and Packaging | 132 | 128 | 130 |
| Software and Solutions | 86 | 112 | 108 |
| Consumer and Film | 216 | 265 | 352 |
| Enterprise Inkjet Systems | 76 | 84 | 115 |
| Intellectual Property Solutions | — | 1 | 70 |
| Eastman Business Park | 15 | 13 | 14 |
| Consolidated total | $1,543 | $1,709 | $2,046 |

Segment Operational EBITDA and Consolidated Earnings (Loss) from Continuing Operations Before Income Taxes

| (in millions) | Year Ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| Print Systems | $105 | $99 | $94 |
| Micro 3D Printing and Packaging [8] | 12 | 11 | — |
| Software & Solutions | 4 | 9 | 3 |
| Consumer & Film | 16 | 52 | 66 |
| Enterprise Inkjet Systems | 19 | 20 | 35 |
| Intellectual Property Solutions | (14 ) | (22 ) | 40 |
| Eastman Business Park | 2 | 2 | 1 |
| All Other [1] | 3 | 4 | 4 |
| Corporate components of pension and OPEB income [2] | 161 | 133 | 110 |
| Depreciation and amortization | (102) | (134) | (191) |
| Restructuring costs and other | (16 ) | (37 ) | (56 ) |
| Overhead supporting, but not directly absorbed by discontinued operations [3] | (15 ) | (21 ) | (30 ) |
| Stock-based compensation | (8 ) | (17 ) | (8 ) |
| Change in U.S. vacation benefits [4] | — | 16 | - |
| Consulting and other costs [5] | (5 ) | (14 ) | (7 ) |
| Idle costs [6] | (3 ) | (3 ) | (4 ) |
| Manufacturing costs originally planned to be absorbed by silver halide touch screen production [7] | (3 ) | (2 ) | (1 ) |
| Other operating expense, net excluding gain related to Unipixel termination [8] | (16 ) | (5 ) | (9 ) |

| | | | |
|---|---|---|---|
| Interest expense [9] | (60 ) | (63 ) | (62 ) |
| Loss on early extinguishment of debt, net [9] | (4 ) | - | - |
| Other charges, net [9] | (4 ) | (21 ) | (21 ) |
| Reorganization items, net [9] | 6 | (5 ) | (13 ) |
| Consolidated earnings (loss) from continuing operations before income taxes | $78 | $2 | $(49 ) |

(1) RED utilities variable interest entity (interest and depreciation of RED are included in the respective lines below).

(2) Composed of interest cost, expected return on plan assets, amortization of actuarial gains and losses, and curtailments and settlement components of pension and other postretirement benefit expenses.

(3) Primarily consists of costs for shared resources allocated to the Prosper Enterprise Inkjet business discontinued operation in the prior year periods which are now included in the results of continuing operations and an estimate of costs for shared resources which would have been allocated to the Prosper Enterprise Inkjet business discontinued operation in the current year period had the business remained in continuing operations.

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(4) In the fourth quarter of 2015, Kodak changed the timing of when affected U.S. employees earn their vacation benefits, which reduced Kodak's obligation to employees and the related accrual by $17 million as of December 31, 2015. The reduction in the accrual impacted gross profit by approximately $9 million, SG&A by approximately $5 million, R&D by approximately $2 million, and discontinued operations by $1 million.

(5) Consulting and other costs are primarily related to professional services provided for corporate strategic initiatives in 2016 and 2015. The costs in 2014 primarily represent the cost of AlixPartners filling interim executive positions which are not captured within "Reorganization items, net" as well as consulting services provided by former executives during transitional periods.

(6) Consists of third party costs such as security, maintenance, and utilities required to maintain land and buildings in certain locations not used in any Kodak operations.

(7) Consists of manufacturing costs originally planned to be absorbed by silver metal mesh touch screen production that are now excluded from the measure of segment profit and loss.

(8) In 2015 a $3 million gain was recognized related to assets that were acquired for no monetary consideration as a part of the termination of the relationship with Unipixel. The gain was reported in Other operating (income) expense, net in the Consolidated Statement of Operations. Other operating (income) expense, net is typically excluded from the segment measure. However, this particular gain was included in the Micro 3D Printing and Packaging segment's earnings in 2015.

(9) As reported in the Consolidated Statement of Operations.

Kodak reduced workers' compensation reserves by approximately $8 million in both 2016 and 2015, primarily driven by changes in discount rates. The reduction in reserves impacted gross profit by approximately $4 million, SG&A by approximately $3 million and R&D by approximately $1 million in both years. In 2014, Kodak increased workers' compensation reserves by $6 million, which impacted gross profit by approximately $3 million, SG&A by approximately $2 million and R&D by approximately $1 million.

RESULTS OF OPERATIONS

| | Year Ended December 31, 2016 | % of Sales | Year Ended December 31, 2015 | % of Sales | $ Change vs. 2015 | Year Ended December 31, 2014 | % of Sales | $ Change vs. 2014 |
|---|---|---|---|---|---|---|---|---|
| Revenues | $ 1,543 | | $ 1,709 | | (166) | $ 2,046 | | (337) |
| Cost of revenues | 1,160 | | 1,331 | | (171) | 1,586 | | (255) |
| Gross profit | 383 | 25 % | 378 | 22 % | 5 | 460 | 22 % | (82) |
| Selling, general and administrative expenses | 172 | 11 % | 204 | 12 % | (32) | 284 | 14 % | (80) |
| Research and development costs | 40 | 3 % | 44 | 3 % | (4) | 64 | 3 % | (20) |
| Restructuring costs and other | 15 | 1 % | 37 | 2 % | (22) | 56 | 3 % | (19) |
| Other operating expense, net | 16 | 1 % | 2 | 0 % | 14 | 9 | 0 % | (7) |
| Earnings from continuing operations before interest expense, loss on early extinguishment of debt, net, other charges, net, reorganization items, net and income taxes | 140 | 9 % | 91 | 5 % | 49 | 47 | 2 % | 44 |
| Interest expense | 60 | 4 % | 63 | 4 % | (3) | 62 | 3 % | 1 |
| Loss on early extinguishment of debt | 4 | 0 % | — | — | 4 | — | — | — |
| Other charges, net | 4 | 0 % | 21 | 1 % | (17) | 21 | 1 % | — |
| Reorganization items, net | (6) | (0 %) | 5 | 0 % | (11) | 13 | 1 % | (8) |
| Earnings (loss) from continuing operations before income taxes | 78 | 5 % | 2 | 0 % | 76 | (49) | (2 %) | 51 |
| Provision for income taxes | 32 | 2 % | 30 | 2 % | 2 | 10 | 0 % | 20 |
| Earnings (loss) from continuing operations | 46 | 3 % | (28) | (2 %) | 74 | (59) | (3 %) | 31 |
| Loss from discontinued operations, net of income taxes | (30) | (2 %) | (47) | (3 %) | 17 | (59) | (3 %) | 12 |
| NET EARNINGS (LOSS) | 16 | 1 % | (75) | (4 %) | 91 | (118) | (6 %) | 43 |
| Less: Net income attributable to noncontrolling interests | 1 | 0 % | 5 | 0 % | (4) | 5 | 0 % | — |
| | $ 15 | 1 % | $ (80) | (5 %) | 95 | $ (123) | (6 %) | 43 |

| | |
|---|---|
| NET EARNINGS (LOSS) ATTRIBUTABLE<br><br>TO EASTMAN KODAK COMPANY | |

Revenues

Current Year

For the year ended December 31, 2016, revenues decreased by approximately $166 million compared with the same period in 2015. The decline was primarily driven by volume and pricing declines within Print Systems ($88 million). Also contributing to the decrease were volume declines in Consumer and Film ($44 million) and Software and Solutions ($24 million), as well as unfavorable foreign currency rates ($11 million) and lower non-recurring intellectual property and brand licensing arrangements ($8 million). Partially offsetting these declines were volume improvements in Micro 3D Printing and Packaging ($10 million). See segment discussions for additional details.

Prior Year

For the year ended December 31, 2015, revenues decreased by approximately $337 million compared with the same period in 2014. The decline in revenue was primarily driven by unfavorable foreign currency rates ($145 million) and lower non-recurring intellectual property and brand licensing arrangements ($62 million). Also contributing to the decline were volume declines in Consumer and Film ($82 million), Enterprise Inkjet Systems ($20 million) and Print Systems ($15 million) and unfavorable price/mix within Print Systems ($31 million) primarily due to pricing declines. Partially offsetting these declines were volume improvements in Micro 3D Printing and Packaging ($13 million) and Software and Solutions ($13 million). See segment discussions for additional details.

Included in revenues were non-recurring intellectual property and brand licensing arrangements. Across all segments, such arrangements contributed approximately $8 million to revenue in 2015 and $70 million to revenues in 2014.

Gross Profit

Current Year

Gross profit for 2016 increased by approximately $5 million. The increase was driven by cost improvements within Print Systems ($54 million, excluding the impact of lower depreciation) and lower depreciation expense ($21 million) driven by Consumer and Film ($15 million). Also contributing were favorable impacts from pension income ($14 million), higher volume within Micro 3D Printing and Packaging ($6 million) and lower accelerated depreciation from restructuring ($8 million). Partially offsetting these improvements were pricing declines and lower volume within Print Systems ($46 million and $6 million, respectively), lower volume and unfavorable cost within Consumer and Film ($14 million and $10 million, respectively), unfavorable foreign currency rates ($12 million), and unfavorable volume within Software and Solutions ($5 million). See segment discussions for additional details.

Prior Year

Gross profit for 2015 decreased by approximately $82 million. The decrease was driven by lower revenues from non-recurring intellectual property and brand licensing arrangements ($62 million), unfavorable foreign currency rates ($36 million), unfavorable price/mix within Print Systems ($31 million), and lower volumes within Consumer and Film ($33 million). Offsetting these declines were lower costs across all segments ($68 million), primarily due to lower depreciation expense in Consumer and Film and Print Systems. See segment discussions for additional details.

Gross profit for 2015 included a $9 million favorable impact from the reduction of an accrual due to the change in U.S. vacation benefits.

Selling, General and Administrative Expenses

The decrease in consolidated selling, general and administrative expenses from 2015 to 2016 was primarily due to cost reduction actions and the favorable impact of pension and OPEB income ($14 million). The decrease in consolidated selling, general and administrative expenses from 2014 to 2015 was mainly due to cost reduction actions.

Research and Development Costs

Consolidated R&D expenses decreased $4 million in 2016 as compared with the prior year period as the company focused investment in material science projects and eliminated programs that no longer aligned with this strategy. The decrease in consolidated R&D expenses in 2015 was primarily due to focusing development activities on prioritized projects and certain products reaching or completing the commercialization phase.

Restructuring Costs and Other

These costs, as well as the restructuring costs reported in Cost of revenues, are discussed under the "RESTRUCTURING COSTS AND OTHER" section in this MD&A.

Other Operating Expense, Net

For details, refer to Note 12, “Other Operating Expense, Net.”

Other Charges, Net

For details, refer to Note 13, “Other Charges, Net.”

Reorganization Items, Net

For details, refer to Note 25, “Reorganization Items, Net.”

Provision for Income Taxes

For details, refer to Note 14, “Income Taxes”

Discontinued Operations

Discontinued operations of Kodak include the PROSPER Enterprise Inkjet business and the PI/DI Business.  Refer to Note 26, “Discontinued Operations” in the Notes to Financial Statements for additional information.

PRINT SYSTEMS SEGMENT

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | $ Change | 2014 | $ Change |
| Revenues | $1,018 | $1,106 | $ (88 ) | $1,257 | $ (151 ) |
| | | | | | |
| Operational EBITDA | 105 | 99 | 6 | 94 | 5 |
| Operational EBITDA as a % of revenues | 10 % | 9 % | | 7 % | |

Revenues

Current Year

The decrease in Print Systems revenues of approximately $88 million reflected lower pricing in Prepress consumables ($42 million) as a result of competitive pressures in the industry, lower volume in Prepress consumables ($15 million), and lower volume in Electrophotographic Printing Solutions ($22 million) driven by fewer equipment placements and declines in consumables and service.

Prior Year

The decrease in Print Systems revenues of approximately $151 million reflected unfavorable currency rates ($107 million) and consumables pricing declines within Prepress Solutions ($31 million) as a result of competitive pressures in the industry.  Also contributing to the decline was unfavorable volume within Electrophotographic Printing Solutions driven by lower demand for annuities ($11 million).

Operational EBITDA

Current Year

The increase in Print Systems Operational EBITDA of approximately $6 million was driven by manufacturing costs improvements in Prepress consumables due to lower aluminum costs ($28 million) and improved manufacturing efficiency ($22 million) driven by the closure of the Leeds, England plant at the end of August 2015.  Also contributing to the improvement was lower SG&A ($6 million) due to cost reductions.  Offsetting these improvements were pricing declines in Prepress consumables ($42 million) as a result of competitive pricing pressures in the industry, volume declines in Electrophotographic Printing Solutions ($3 million), lower volumes in Prepress Solutions ($3 million) and pricing declines in Electrophotographic Printing Solutions ($3 million).

Prior Year

Print Systems Operational EBITDA increased approximately $5 million as SG&A cost reductions ($38 million) and improved manufacturing efficiency ($14 million) driven by the exit of the Leeds manufacturing facility more than offset the impact of consumables pricing declines within Prepress Solutions ($31 million), unfavorable currency rates ($9 million), and unfavorable aluminum pricing ($9 million).

MICRO 3D PRINTING AND PACKAGING SEGMENT

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | $ Change | 2014 | $ Change |
| Revenues | $132 | $128 | $ 4 | $130 | $ (2 ) |
| | | | | | |
| Operational EBITDA | 12 | 11 | 1 | — | 11 |
| Operational EBITDA as a % of revenues | 9% | 9 % | | 0 % | |

Revenues

Current Year

The increase in Micro 3D Printing and Packaging revenues of approximately $4 million primarily reflected volume improvements in Packaging consumables ($12 million) due to a larger installed base of FLEXCEL NX systems driving growth in revenues from FLEXCEL NX consumables, and higher Packaging unit placements ($2 million). Partially offsetting these improvements were declining revenues from legacy products ($3 million), unfavorable Packaging equipment product mix ($1 million), and unfavorable foreign currency rates ($4 million).

Prior Year

The decrease in Micro 3D Printing and Packaging revenues of approximately $2 million was driven by unfavorable currency rates ($14 million). This decrease was partially offset by volume improvements within Packaging ($13 million) primarily due to a larger installed base of FLEXCEL NX systems driving growth in revenues from FLEXCEL NX consumables.

Operational EBITDA

Current Year

Micro 3D Printing and Packaging Operational EBITDA increased by approximately $1 million as improved gross profit in Packaging driven by higher volume of FLEXCEL NX consumables ($7 million), cost improvements in Micro 3D Printing ($2 million), and other individually less significant improvements, were offset by unfavorable currency rates ($7 million). The prior year included a gain related to assets that were acquired for no monetary consideration as part of the termination of the relationship with Unipixel ($3 million).

Prior Year

The $11 million improvement in the Micro 3D Printing and Packaging Operational EBITDA was due to higher volume within Packaging ($8 million) driven by increased sales of FLEXCEL NX consumables, as well as increased manufacturing efficiency ($1 million) within Packaging. These improvements were partially offset by unfavorable currency rates ($4 million). Also included in Operational EBITDA is a gain related to assets that were acquired for no monetary consideration as a part of the termination of the relationship with Unipixel ($3 million).

SOFTWARE AND SOLUTIONS SEGMENT

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | $ Change | 2014 | $ Change |
| Revenues | $86 | $112 | $ (26) | $108 | $ 4 |
| | | | | | |
| Operational EBITDA | 4 | 9 | $ (5) | 3 | $ 6 |
| Operational EBITDA as a % of revenues | 5 % | 8 % | | 3 % | |

Revenues

Current Year

The decrease in Software and Solutions revenues of approximately $26 million primarily reflected volume declines in Kodak Technology Solutions due to lower revenues from government contracts ($17 million), the divestiture of the Design2Launch and brand protection businesses in the second quarter of the current year ($5 million), lower volume in Unified Workflow Solutions ($3 million) and unfavorable currency rates ($2 million).

Prior Year

The increase in Software and Solutions revenues of approximately $4 million reflected volume improvements within Kodak Technology Solutions ($15 million) primarily due to higher revenues from government contracts. Partially offsetting this improvement were unfavorable currency rates ($9 million) and volume declines in Unified Workflow Solutions ($2 million).

Operational EBITDA

Current Year

The decrease in Software and Solutions Operational EBITDA of approximately $5 million primarily reflected the volume declines in Kodak Technology Solutions described above ($5 million) and lower volume in Unified Workflow Solutions ($1 million). Partially offsetting these declines were favorable impacts from divesting the Design2Launch and brand protection businesses in the second quarter of the current year ($3 million).

Prior Year

The $6 million improvement in the Software and Solutions Operational EBITDA was due to cost improvements within Unified Workflow Solutions ($3 million) due to increased efficiency, as well as SG&A cost reductions ($3 million) and volume improvements within Kodak Technology Solutions ($2 million) primarily due to higher revenues from government contracts. Partially offsetting these improvements were unfavorable currency rates ($3 million).

CONSUMER AND FILM SEGMENT

Year
Ended
December
31,