

10-K 1 ek2010_10k.htm EASTMAN KODAK COMPANY 10-K FILING

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, 2010 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)

NEW JERSEY
(State of incorporation)

16-0417150
(IRS Employer Identification No.)

343 STATE STREET, ROCHESTER, NEW YORK
(Address of principal executive offices)

14650
(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, \$2.50 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

Eastman Kodak Company
CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31,

(in millions, except per share data)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net sales			
Products	\$ 5,507	\$ 6,323	\$ 8,130
Services	776	788	793
Licensing & royalties	904	495	493
Total net sales	<u>\$ 7,187</u>	<u>\$ 7,606</u>	<u>\$ 9,416</u>
Cost of sales			
Products	\$ 4,638	\$ 5,243	\$ 6,647
Services	598	595	600
Total cost of sales	<u>\$ 5,236</u>	<u>\$ 5,838</u>	<u>\$ 7,247</u>
Gross profit	\$ 1,951	\$ 1,768	\$ 2,169
Selling, general and administrative expenses	1,277	1,302	1,606
Research and development costs	321	356	478
Restructuring costs, rationalization and other	70	226	140
Other operating expenses (income), net	619	(88)	766
Loss from continuing operations before interest expense, other income (charges), net and income taxes	(336)	(28)	(821)
Interest expense	149	119	108
Loss on early extinguishment of debt, net	102	-	-
Other income (charges), net	26	30	55
Loss from continuing operations before income taxes	(561)	(117)	(874)
Provision (benefit) for income taxes	114	115	(147)
Loss from continuing operations	(675)	(232)	(727)
(Loss) earnings from discontinued operations, net of income taxes	(12)	17	285
Extraordinary item, net of tax	-	6	-
NET LOSS	(687)	(209)	(442)
Less: Net earnings attributable to noncontrolling interests	-	(1)	-
NET LOSS ATTRIBUTABLE TO EASTMAN KODAK COMPANY	<u>\$ (687)</u>	<u>\$ (210)</u>	<u>\$ (442)</u>
Basic and diluted net (loss) earnings per share attributable to Eastman Kodak Company common shareholders:			
Continuing operations	\$ (2.51)	\$ (0.87)	\$ (2.58)
Discontinued operations	(0.05)	0.07	1.01
Extraordinary item	-	0.02	-
Total	<u>\$ (2.56)</u>	<u>\$ (0.78)</u>	<u>\$ (1.57)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Eastman Kodak Company
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions, except share and per share data)

	As of December 31,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,624	\$ 2,024
Receivables, net	1,259	1,395
Inventories, net	696	679
Deferred income taxes	120	121
Other current assets	100	84
Total current assets	<u>3,799</u>	<u>4,303</u>
Property, plant and equipment, net	1,037	1,254
Goodwill	294	907
Other long-term assets	1,109	1,227
TOTAL ASSETS	<u>\$ 6,239</u>	<u>\$ 7,691</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable, trade	\$ 959	\$ 919
Short-term borrowings and current portion of long-term debt	50	62
Accrued income taxes	343	23
Other current liabilities	1,481	1,892
Total current liabilities	<u>2,833</u>	<u>2,896</u>
Long-term debt, net of current portion	1,195	1,129
Pension and other postretirement liabilities	2,661	2,694
Other long-term liabilities	625	1,005
Total liabilities	<u>7,314</u>	<u>7,724</u>
Commitments and Contingencies (Note 10)		
EQUITY (DEFICIT)		
Common stock, \$2.50 par value, 950,000,000 shares authorized; 391,292,760 shares issued as of December 31, 2010 and 2009; 268,898,978 and 268,630,514 shares outstanding as of December 31, 2010 and 2009	978	978
Additional paid in capital	1,105	1,093
Retained earnings	4,969	5,676
Accumulated other comprehensive loss	(2,135)	(1,760)
Treasury stock, at cost; 122,393,782 shares as of December 31, 2010 and 122,662,246 shares as of December 31, 2009	<u>(5,994)</u>	<u>(6,022)</u>
Total Eastman Kodak Company shareholders' (deficit) equity	<u>(1,077)</u>	<u>(35)</u>
Noncontrolling interests	2	2
Total (deficit) equity	<u>(1,075)</u>	<u>(33)</u>
TOTAL LIABILITIES AND EQUITY (DEFICIT)	<u>\$ 6,239</u>	<u>\$ 7,691</u>

The accompanying notes are an integral part of these consolidated financial statements.

Eastman Kodak Company
CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)

(in millions, except share and per share data)

	Eastman Kodak Company Shareholders							Noncontrolling Interests	Total
	Common Stock (1)	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total	Total		
Equity (deficit) as of December 31, 2007	\$ 978	\$ 889	\$ 6,498	\$ 453	\$ (5,764)	\$ 3,054	\$ 6	\$ 3,060	
Net loss	-	-	(442)	-	-	(442)	-	(442)	
Equity transactions with noncontrolling interests	-	-	-	-	-	-	(4)	(4)	
Other comprehensive loss:									
Unrealized gains arising from hedging activity (\$8 million pre-tax)	-	-	-	(8)	-	(8)	-	(8)	
Reclassification adjustment for hedging related gains included in net earnings (\$8 million pre-tax)	-	-	-	(8)	-	(8)	-	(8)	
Currency translation adjustments	-	-	-	(81)	-	(81)	1	(80)	
Pension and other postretirement liability adjustments (\$1,147 million pre-tax)	-	-	-	(1,105)	-	(1,105)	-	(1,105)	
Other comprehensive loss	-	-	-	(1,202)	-	(1,202)	1	(1,201)	
Comprehensive loss								(1,643)	
Cash dividends declared (\$.50 per common share)	-	-	(139)	-	-	(139)	-	(139)	
Recognition of equity-based compensation expense	-	18	-	-	-	18	-	18	
Share repurchases (20,046,396 shares)	-	-	-	-	(301)	(301)	-	(301)	
Treasury stock issued, net (159,021 shares) (2)	-	(5)	(12)	-	14	(3)	-	(3)	
Unvested stock issuances (56,600 shares)	-	(1)	(2)	-	3	-	-	-	
Equity (deficit) as of December 31, 2008	<u>\$ 978</u>	<u>\$ 901</u>	<u>\$ 5,903</u>	<u>\$ (749)</u>	<u>\$ (6,048)</u>	<u>\$ 985</u>	<u>\$ 3</u>	<u>\$ 988</u>	

Eastman Kodak Company
CONSOLIDATED STATEMENT OF EQUITY (DEFICIT) Cont'd.

(in millions, except share and per share data)

	Eastman Kodak Company Shareholders							
	Common Stock (1)	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total	Noncontrolling Interests	Total
Equity (deficit) as of December 31, 2008	\$ 978	\$ 901	\$ 5,903	\$ (749)	\$ (6,048)	\$ 985	\$ 3	\$ 988
Net (loss) earnings	-	-	(210)	-	-	(210)	1	(209)
Equity transactions with noncontrolling interests	-	-	-	-	-	-	(2)	(2)
Other comprehensive loss:								
Unrealized gains arising from hedging activity (\$17 million pre-tax)	-	-	-	17	-	17	-	17
Reclassification adjustment for hedging related gains included in net earnings (\$5 million pre-tax)	-	-	-	(5)	-	(5)	-	(5)
Currency translation adjustments	-	-	-	4	-	4	-	4
Pension and other postretirement liability adjustments (\$1,111 million pre-tax)	-	-	-	(1,027)	-	(1,027)	-	(1,027)
Other comprehensive loss	-	-	-	(1,011)	-	(1,011)	-	(1,011)
Comprehensive loss								(1,222)
Recognition of equity-based compensation expense	-	20	-	-	-	20	-	20
Equity component of debt issuances	-	181	-	-	-	181	-	181
Treasury stock issued, net (328,099 shares) (2)	-	(8)	(10)	-	18	-	-	-
Unvested stock issuances (133,360 shares)	-	(1)	(7)	-	8	-	-	-
Equity (deficit) as of December 31, 2009	<u>\$ 978</u>	<u>\$ 1,093</u>	<u>\$ 5,676</u>	<u>\$ (1,760)</u>	<u>\$ (6,022)</u>	<u>\$ (35)</u>	<u>\$ 2</u>	<u>\$ (33)</u>

Eastman Kodak Company
CONSOLIDATED STATEMENT OF EQUITY (DEFICIT) Cont'd.

(in millions, except share and per share data)

	Eastman Kodak Company Shareholders							Noncontrolling Interests	Total
	Common Stock (1)	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total			
Equity (deficit) as of December 31, 2009	\$ 978	\$ 1,093	\$ 5,676	\$ (1,760)	\$ (6,022)	\$ (35)	\$ 2	\$ (33)	
Net loss	-	-	(687)	-	-	(687)	-	(687)	
Other comprehensive loss:									
Unrealized gains arising from hedging activity (\$4 million pre-tax)	-	-	-	4	-	4	-	4	
Reclassification adjustment for hedging related gains included in net earnings (\$8 million pre-tax)	-	-	-	(8)	-	(8)	-	(8)	
Currency translation adjustments	-	-	-	80	-	80	-	80	
Pension and other postretirement liability adjustments (\$470 million pre-tax)	-	-	-	(451)	-	(451)	-	(451)	
Other comprehensive loss	-	-	-	(375)	-	(375)	-	(375)	
Comprehensive loss								(1,062)	
Recognition of equity-based compensation expense	-	21	-	-	-	21	-	21	
Treasury stock issued, net (268,464 shares) (2)	-	(9)	(20)	-	28	(1)	-	(1)	
Equity (deficit) as of December 31, 2010	<u>\$ 978</u>	<u>\$ 1,105</u>	<u>\$ 4,969</u>	<u>\$ (2,135)</u>	<u>\$ (5,994)</u>	<u>\$ (1,077)</u>	<u>\$ 2</u>	<u>\$ (1,075)</u>	

(1) There are 100 million shares of \$10 par value preferred stock authorized, none of which have been issued.

(2) Includes stock awards issued, offset by shares surrendered for taxes.

The accompanying notes are an integral part of these consolidated financial statements.

Eastman Kodak Company
CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)

	For the Year Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net loss	\$ (687)	\$ (209)	\$ (442)
Adjustments to reconcile to net cash provided by operating activities:			
Loss (earnings) from discontinued operations, net of income taxes	12	(17)	(285)
Earnings from extraordinary items, net of income taxes	-	(6)	-
Depreciation and amortization	378	427	500
Gain on sales of businesses/assets	(8)	(100)	(14)
Loss on early extinguishment of debt, net	102	-	-
Non-cash restructuring and rationalization costs, asset impairments and other charges	635	28	801
(Benefit) provision for deferred income taxes	(91)	(99)	16
Decrease in receivables	118	363	148
(Increase) decrease in inventories	(28)	276	(20)
Decrease in liabilities excluding borrowings	(580)	(821)	(720)
Other items, net	(70)	22	(112)
Total adjustments	468	73	314
Net cash used in continuing operations	(219)	(136)	(128)
Net cash provided by discontinued operations	-	-	296
Net cash (used in) provided by operating activities	(219)	(136)	168
Cash flows from investing activities:			
Additions to properties	(149)	(152)	(254)
Proceeds from sales of businesses/assets	32	156	92
Acquisitions, net of cash acquired	-	(17)	(38)
Use (funding) of restricted cash and investment accounts	1	(12)	-
Marketable securities - sales	74	39	162
Marketable securities - purchases	(70)	(36)	(150)
Net cash used in investing activities	(112)	(22)	(188)
Cash flows from financing activities:			
Stock repurchases	-	-	(301)
Proceeds from borrowings	503	712	140
Repayment of borrowings	(565)	(649)	(446)
Debt issuance costs	(12)	(30)	-
Dividends to shareholders	-	-	(139)
Net cash (used in) provided by financing activities	(74)	33	(746)
Effect of exchange rate changes on cash	5	4	(36)
Net decrease in cash and cash equivalents	(400)	(121)	(802)
Cash and cash equivalents, beginning of year	2,024	2,145	2,947
Cash and cash equivalents, end of year	\$ 1,624	\$ 2,024	\$ 2,145

Eastman Kodak Company
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

SUPPLEMENTAL CASH FLOW INFORMATION
(in millions)

	For the Year Ended December 31,		
	2010	2009	2008
Cash paid for interest and income taxes was:			
Interest, net of portion capitalized of \$1, \$2 and \$3	\$ 115	\$ 70	\$ 85
Income taxes (1)	197	225	145
The following non-cash items are not reflected in the Consolidated Statement of Cash Flows:			
Pension and other postretirement benefits liability adjustments	\$ 451	\$ 1,027	\$ 1,105
Liabilities assumed in acquisitions	-	4	2
Issuance of unvested stock, net of forfeitures	-	-	1

(1) Includes payments related to discontinued operations.

The accompanying notes are an integral part of these consolidated financial statements.