SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): January 30, 2006

Eastman Kodak Company
(Exact name of registrant as specified in charter)

New Jersey	1-87	16-0417150
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

343 State Street,
Rochester, New York 14650
(Address of Principal Executive Office) (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On January 30, 2006, Eastman Kodak Company issued a press release and a supplemental financial discussion document describing its financial results for its fourth fiscal quarter ended December 31, 2005. Copies of the press release and financial discussion document are attached as Exhibits 99.1 and 99.2, respectively, to this report.

Within the Company's fourth quarter 2005 press release and financial discussion document, the Company makes reference to certain non-GAAP financial measures including "Digital revenue", "Digital revenue growth", "Digital earnings", "Free cash flow", "Operating cash flow", "Investable cash flow" and "Earnings before interest, taxes, depreciation and amortization (EBITDA)", which have directly comparable GAAP financial measures, and to certain calculations that are based on non-GAAP financial measures, including "Days sales outstanding" and "Days supply in inventory." The Company believes that these measures represent important internal measures of performance. Accordingly, where these non-GAAP measures are provided, it is done so that investors have the same financial data that management uses with the belief that it will assist the investment community in properly assessing the underlying performance of the Company on a year-over-year and quarter-sequential basis. Whenever such information is presented, the Company has complied with the provisions of the rules under Regulation G and Item 2.02 of Form 8-K. The specific reasons, in addition to the reasons described above, why the Company's management believes that the presentation of the non-GAAP financial measures provides useful information to investors regarding Kodak's financial condition, results of operations and cash flows are as follows:

Digital revenue / Digital revenue growth / Digital earnings -- In the Company's earnings release for the second quarter of 2005 that was issued on July 20, 2005, the Company indicated that, due to the ongoing digital transformation, management would view the Company's performance based on the following three key metrics: digital revenue growth, digital earnings growth and the generation of cash. These three key metrics were reemphasized in the Company's investor presentation on September 28, 2005 and in the attached earnings release for the fourth quarter of 2005. These digital measures form the basis of internal management performance expectations and certain incentive compensation. Accordingly, these digital measures are presented so that investors have the same financial data that management uses with the belief that it will assist the investment community in properly assessing the underlying performance of the Company against its key metrics on a year-over-year and quarter-sequential basis, as the Company undergoes this digital transformation.

Free cash flow / Operating cash flow / Investable cash flow -- The Company believes that the presentation of free cash flow, operating cash flow and investable cash flow is useful information to investors as it facilitates the comparison of cash flows between reporting periods. In addition, management utilizes these measures as tools to assess the Company's ability to repay debt and repurchase its own common stock, after it has satisfied its working capital needs, dividends, capital expenditures, acquisitions and investments. The free cash flow measure equals net cash provided by operating activities from continuing operations, as determined under Generally Accepted Accounting Principles in the U.S. (U.S. GAAP) minus capital expenditures. The operating cash flow measure equals free cash flow plus proceeds from the sale of assets, minus acquisitions, debt assumed in acquisitions, investments in unconsolidated affiliates, and dividends. The investable cash flow measure equals operating cash flow excluding the impact of acquisitions and debt assumed in acquisitions, and forms the basis of internal management performance expectations (it is one of the Company's three key metrics) and certain incentive compensation. Accordingly, the Company believes that the presentation of this information is useful to investors as it provides them with the same data as management uses to facilitate their assessment of the Company's cash position.

EBITDA / Interest Expense -- Under the Company's senior secured credit facilities, there are two financial debt covenants that the Company must be in compliance with on a quarterly basis: (1) debt to EBITDA and (2) EBITDA to interest expense. Accordingly, the Company believes the presentation of the debt to EBITDA and EBITDA to interest expense financial measures is useful information to investors, as it provides information as to how the Company actually performed against the financial covenant restrictions and requirements, and how much headroom the Company has within the covenants.

Days sales outstanding (DSO) -- The Company believes that the presentation of a DSO result that includes the impact of reclassifying rebates as an offset to receivables is useful information to investors, as this calculation is more reflective of the Company's receivables performance and cash collection efforts due to the fact that most customers reduce their actual cash payment to the Company by the amount of rebates owed to them.

Days supply in inventory (DSI) -- The Company believes that the presentation of a DSI result that is based on inventory before the LIFO reserve is useful information to investors, as this calculation is more reflective of the Company's actual inventory turns due to the fact that the inventory values in the calculation are based on current cost. The Company also believes that the presentation of a DSI result that is based on a cost of goods sold amount that excludes certain manufacturing-related costs that are considered to be unusual, or that occur infrequently, is useful information to investors, as it is more reflective of the Company's actual inventory performance.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

Exhibit 99.1	Press release issued January 30, 2006 regarding financial results for the fourth quarter of 2005	Furnished with this document
Exhibit 99.2	Financial discussion document issued January 30, 2006 regarding financial results for the fourth quarter of 2005	Furnished with this document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EASTMAN KODAK COMPANY

By: /s/ Richard G. Brown, Jr.

Name: Richard G. Brown, Jr.
Title: Controller

Date: January 30, 2006

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued January 30, 2006 regarding financial results for the fourth quarter 2005
99.2	Financial discussion document issued January 30, 2006 regarding financial results for the fourth quarter 2005

Exhibit 99.1

Kodak's 4th-Quarter Sales Rise 12% to $4.197 Billion; Full-Year Digital Sales Exceed Traditional Sales for the First Time; 4th-Qtr Digital Sales Surge 45%, Led by Graphic Communications and Consumer Digital

ROCHESTER, N.Y.--(BUSINESS WIRE)--Jan. 30, 2006--Eastman Kodak Company

Company Exceeds Full-Year Cash Goals; Delivers $1.180 Billion in Net Cash From Operating Activities in 2005; Cash Balance Totals $1.665 Billion at Year-end

4th-Qtr GAAP Net Loss of $52 Million ($0.18 Per Share), Largely Reflecting Restructuring Charges, Tax Benefits and Cumulative Effect of an Accounting Change

Eastman Kodak Company today reported that revenue rose 12% in the fourth quarter, led by a 45% increase in the sale of digital products and services. The performance includes strong demand for the market-leading offerings from the company's consumer digital portfolio and the successful completion of the company's acquisition program to support its Graphic Communications business. For all of 2005, digital sales represented 54% of total revenue, marking the first time in the company's history that digital revenue exceeded traditional.

On the basis of generally accepted accounting principles in the U.S. (GAAP), the company reported a fourth-quarter loss of $52 million, or $0.18 per share. This largely stems from $283 million in after-tax restructuring charges, partially offset by the previously announced tax audit settlement between the company and the Internal Revenue Service that resulted in the reversal of certain tax accruals totaling $243 million.

For the fourth quarter of 2005:

- Sales totaled $4.197 billion, an increase of 12% from $3.759 billion in the fourth quarter of 2004. Digital revenue totaled $2.674 billion, a 45% increase from $1.850 billion. Traditional revenue totaled $1.514 billion, a 21% decline from $1.905 billion.

- The GAAP net loss was $52 million, or $0.18 per share, compared with a GAAP loss of $59 million, or $0.20 per share, in the year-ago period.

- The company's fourth-quarter loss from continuing operations, before interest, other income, net, and income taxes was $162 million, compared with a loss of $236 million in the year-ago quarter.

- Digital earnings were $161 million, and were favorably impacted by a number of items, including a year-over-year increase in royalty income, which reflects the company's continuing progress in the monetization of its intellectual property, as well as the favorable impact resulting from the company's Graphic Communications Group acquisition program.

"Kodak is now a thriving digital company," said Antonio M. Perez, Chairman and Chief Executive Officer, Eastman Kodak Company. "The fourth quarter marked the first time that we managed the company as it will be run in 2006, and the digital earnings performance was exceptional. And for all of 2005, we made tremendous progress on our digital transformation. We completed an aggressive acquisition program that established Kodak as a powerhouse in the graphic communications market, we strengthened our market position in consumer digital with several innovative new product introductions, and we made substantial progress on our goal of reducing our traditional manufacturing footprint, while benefiting from the strong cash flows available from that business. We enjoy a solid cash position, and we are determined to expand profit margins in the sizable digital businesses that we have assembled."

Other fourth-quarter 2005 details:

- Net cash provided by operating activities from continuing operations totaled $1.240 billion in the fourth quarter, compared with $702 million in the year-ago quarter.

- Gross Profit was 22.8%, down from 25.9%, primarily due to increased restructuring and the cost of accelerated depreciation and asset useful life changes.

- Selling, General and Administrative expenses were $748 million, up from $710 million, reflecting costs related to acquisitions, partially offset by cost reduction activities.

- Debt decreased $35 million from the third-quarter level, to $3.528 billion as of Dec. 31. In 2005, debt increased $1.207 billion, reflecting more than $1.5 billion relating to acquisitions, partially offset by $300 million in scheduled debt repayments.

- Kodak held $1.665 billion in cash as of Dec. 31, up from $610 million on Sept. 30, and up from $1.255 billion at the end of 2004.

Segment sales and results from continuing operations, before interest, other income, net, and income taxes (earnings from operations) for the fourth quarter of 2005, are as follows:

- Digital & Film Imaging System sales totaled $2.513 billion, down 3%. Earnings from operations for the segment were $76 million, compared with $135 million a year ago. Highlights for the quarter included a 65% increase in sales of home printing products and inkjet media, including a 95% increase in the sales of KODAK EASYSHARE Printer Docks; a 41% increase in consumer digital capture sales, which includes KODAK EASYSHARE digital cameras; and a 23% increase in the sales of KODAK PICTURE MAKER kiosks and related media.

- Graphic Communications Group sales were $942 million, up 141% largely reflecting the acquisition of KPG and Creo, as well as a 38% increase in Kodak Versamark sales. Earnings from operations in the fourth quarter were $40 million, compared with a loss of $15 million in the year-ago quarter.

- Health Group sales were $700 million, down 6%. Earnings from operations for the segment were $83 million, compared with $113 million a year ago. Highlights for the quarter included a 45% increase in Healthcare Information System sales.

- All Other sales were $42 million, up 17% from the year-ago quarter. The loss from operations totaled $43 million, compared with a loss of $72 million a year ago. The All Other category includes the Display & Components operation as well as investments in new technologies.

2005 full-year results:

- For the year, sales were $14.268 billion, up 6% from $13.517 billion in 2004.

- Reported net loss for the year totaled $1.371 billion, or $4.76 per share, compared with net earnings of $556 million, or $1.94 per share, in 2004, largely stemming from a $1.1 billion non-cash charge in 2005 to record a valuation allowance against the net deferred tax assets in the U.S. The establishment of the valuation allowance was required due to the company's continuing losses in the U.S. resulting from the accelerated and extensive restructuring activity required by the decline in the traditional businesses. Also contributing to the decrease in earnings relative to 2004 is the year-over-year increase in restructuring charges of $245 million, a year-over-year decrease in earnings from discontinued operations of $325 million, due primarily to the gain in 2004 from the sale of the company's Remote Sensing Systems unit, and a charge for a cumulative effect of an accounting change of $57 million in 2005.

- Net cash provided by operating activities from continuing operations totaled $1.180 billion for the year, compared with $1.146 billion in 2004.

Outlook for 2006:

Kodak expects 2006 digital revenue growth between 16% and 22%, with total revenue growth between negative 2% and a positive 4%. The company also expects to increase digital earnings to a range of $350 million to $450 million, with total earnings from operations, which is the most directly comparable GAAP financial measure, of a negative $900 million to a negative $1.1 billion. The loss from operations range is largely being driven by the ongoing restructuring actions. The company expects investable cash flow to be between $400 million and $600 million, with net cash provided by operating activities from continued operations of $800 million to $1.0 billion.

"We are now more than halfway through our transformation, and we have proven our ability to drive sales in digital markets and to generate the cash necessary to fund our growth," Perez said. "We enter 2006 with solid momentum and a stronger emphasis on profitable growth. Our focus this year - beyond digital revenue growth and cash generation - will be expanding the margins of our digital businesses, now that we've amassed the scale necessary to be a market force. We are confident that we have the management and the strategies in place to achieve this goal and to generate value for our shareholders."

Antonio Perez and Robert Brust, Kodak's Chief Financial Officer, will hold a meeting with investors today to discuss fourth quarter & full year 2005 financial results and provide an outlook on expected 2006 performance. The meeting will be held at the Equitable Center, 787 Seventh Avenue (between 51st & 52nd Streets), beginning at 1:00 PM ET. The event is expected to conclude by 3:00 PM ET.

Those who are unable to attend the meeting in person may participate via conference call (listen mode only) by dialing 913-981-5542, reference number 6473137. The conference call will begin promptly at 1:00 PM ET. Participants may also listen via webcast by accessing the Kodak.com Investors web page at: http://www.kodak.com/go/invest.

The call will be recorded and available for playback by 8:00 AM on Tuesday, January 31, by dialing 719-457-0820, reference number 6473137. The playback number will be active until Tuesday, February 7, at 5:00 PM ET. Also, the web cast will be archived and available for replay on this site approximately 1 hour following the live broadcast.

Accounting for Employee Stock Option Awards:

On January 1, 2005, the Company adopted FASB Statement No. 123(R), Share Based Payment, and began recognizing expense related to its employee stock option awards. The FASB recently issued a proposed staff position (FSP) which, if adopted as proposed, would require companies to classify employee stock options with contingent cash settlement features as equity awards provided the contingent event, such as a change in control event, is not considered probable of occurring. This classification would be consistent with the Company's present classification of its outstanding stock option awards with contingent cash settlement features. All financial information reported in this press release is presented on a U.S. GAAP basis assuming the proposed FSP is adopted as currently drafted. However, if the FASB does not finalize, or changes the final provisions of the proposed FSP, the Company would be required to reclassify certain of its stock option awards to a liability as of January 1, 2005, and as of the end of each quarter in 2005. A change in the Company's present classification as equity of certain of the Company's stock option awards would also require the Company to record a liability and report the impact of recording the liability as the cumulative effect of a change in accounting principle as of January 1, 2005, in the Company's Statement of Operations for the first quarter of 2005. In addition to the reclassification of existing liabilities and the recording of an additional liability, the Company would record the change in fair value of those awards in the Statement of Operations each quarter, and accordingly, the net loss as originally reported in each quarter of 2005 may change. The Company has not yet computed what (1) the cumulative effect of the change in accounting principle as of January 1, 2005, would be or (2) what the impact would be on the net loss for each of the quarters in 2005 if the FASB does not issue the FSP as drafted. The Company believes that the impact of recording the additional liability would be material.

Safe Harbor Statement:

Digital and traditional revenues, digital revenue growth, digital earnings, and investable cash flow are non-GAAP financial measures as defined by the Securities and Exchange Commission's final rules under "Conditions for Use of Non-GAAP Financial Measures." Reconciliations of these measures included in this press release to the most directly comparable GAAP financial measures can be found in the Financial Discussion Document attached to this press release.

Certain statements in this press release may be forward looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to expectations for the Company's earnings, revenue, revenue growth, and cash are forward-looking statements.

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

-- Implementation of our digital growth and profitability strategies, business model, and cash plan;

-- Implementation of a changed segment structure;

-- Implementation of our cost reduction program, including asset rationalization and monetization, reduction in sales, general and administrative costs and personnel reductions;

-- Implementation of, and performance under, our debt management program;

-- Implementation of product strategies (including category expansion, digitization, organic light emitting diode (OLED) displays, and digital products);

-- Implementation of intellectual property licensing and other strategies;

-- Development and implementation of e-commerce strategies;

-- Completion of information systems upgrades, including SAP, our enterprise system software;

-- Completion of various portfolio actions;

-- Reduction of inventories;

-- Integration of newly acquired businesses;

-- Improvement in manufacturing productivity and techniques;

-- Improvement in receivables performance;

-- Reduction in capital expenditures;

-- Improvement in supply chain efficiency and management of sourcing relationships;

-- Implementation of our strategies designed to address the decline in our traditional businesses; and

-- Performance of our business in emerging markets like China, India, Brazil, Mexico and Russia;

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

-- Inherent unpredictability of currency fluctuations and raw material costs;

-- Competitive actions, including pricing;

-- Changes in our debt credit ratings and our ability to access capital markets;

-- The nature and pace of technology evolution, including the traditional-to-digital transformation;

-- Continuing customer consolidation and buying power;

-- Current and future proposed changes to accounting rules and to tax laws, as well as other factors which could adversely impact our effective tax rate in the future;

-- General economic, business, geopolitical, regulatory and public health conditions;

-- Market growth predictions, and

-- Other factors and uncertainties disclosed from time to time in our filings with the Securities and Exchange Commission;

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

Exhibit 99.2

Eastman Kodak Company Financial Discussion Document
Fourth Quarter 2005 Results

As previously announced, the Company will only report its earnings from continuing operations on a GAAP basis, which will be accompanied by a description of the non-operational items affecting its GAAP quarterly results by line item in the statement of operations. The following table presents a description of the non-operational items affecting the Company's quarterly results by line item in the statement of operations for the fourth quarter 2005 and 2004, respectively.

	4th Quarter			
	2005		2004	
(in millions, except per share data)	$	EPS	$	EPS
(Loss) earnings from continuing operations - GAAP	$(143)	$(0.50)	$(58)	$(0.20)
COGS				
- - Charges for accelerated depreciation in connection with the focused cost reduction actions	146		97	
- - Charges for inventory writedowns in connection with focused cost reduction actions	6		14	
Subtotal	152	0.53	111	$0.39
SG&A				
- - Adjustment for Legal Settlement charge	7		6	
Subtotal	7	0.03	6	$0.02
Restructuring				
- - Write off of fixed assets relating to Kodak's historical ownership interest in the NexPress joint venture in connection with the acquisition of NexPress			7	
- - Charges for focused cost reduction actions	159		273	
Subtotal	159	0.55	280	$0.97
Other Income/(Charges)				
- - Favorable legal settlements			(101)	
- - Impairment of property related to focused cost reduction actions	4		-	
Subtotal	4	0.01	(101)	$(0.35)
Taxes				
- - Tax impacts of the above-mentioned items	(28)		(63)	
Subtotal	(28)	(0.10)	(63)	$(0.22)
Impact of Contingent Convertible Debt on EPS		(0.01)		$(0.03)

Worldwide Revenues

Net worldwide sales were $4.197 billion for the fourth quarter of 2005 as compared with $3.759 billion for the fourth quarter of 2004, representing an increase of $438 million or 12%. The increase in net sales was primarily due to:

-- Volume: volumes increased fourth quarter sales by 6.4 percentage points driven primarily by increases in the consumer digital capture and home printing solutions SPG's, and entertainment print films.

- -- Price/Mix: price/mix declines reduced fourth quarter sales by 6.5 percentage points, primarily driven by the film capture, consumer digital capture, and home printing solutions SPG's.

- -- Exchange: unfavorable exchange reduced fourth quarter sales by $63 million, or 1.7 percentage points.

- -- Acquisitions: Kodak Polychrome Graphics (KPG), and Creo contributed $529 million, or approximately 13.5 percentage points to fourth quarter sales.

Net sales in the U.S. were $1.976 billion for the fourth quarter of 2005 as compared with $1.694 billion for the prior year quarter, representing an increase of $282 million, or 17%.

Net sales outside the U.S. were $2.221 billion for the current quarter as compared with $2.065 billion for the fourth quarter of 2004, representing an increase of $156 million, or 8%. The increase in net sales for the period reflected the unfavorable impact of foreign currency fluctuations of $63 million, or approximately 3%.

Digital Strategic Product Groups' Revenue

Kodak's digital product sales were $2.674 billion for the current quarter as compared with $1.850 billion for the fourth quarter of 2004, representing an increase of $824 million, or 45%, primarily driven by the Creo and KPG acquisitions and the consumer digital capture and home printing SPG's.

Traditional Strategic Product Groups' Revenue

Net sales of the company's traditional products were $1.514 billion for the current quarter as compared with $1.905 billion for the fourth quarter of 2004, representing a decrease of $391 million, or 21%, primarily driven by declines in the film capture SPG and the wholesale and retail photofinishing portions of the consumer output SPG.

New Technologies Strategic Product Groups' Revenue

Net sales of new technologies products were $9 million in the current quarter versus $4 million for the fourth quarter of 2004.

Refer to the attached "non-GAAP" reconciliation for a reconciliation of digital, traditional, and new technologies revenue to total consolidated net sales.

Foreign Revenues

The company's operations outside the U.S. are reported in three regions: (1) the Europe, Africa and Middle East Region ("EAMER"), (2) the Asia Pacific Region and (3) the Canada and Latin America Region.

Net sales in the EAMER region were $1.106 billion for the fourth quarter of 2005 as compared with $1.020 billion for the prior year quarter, representing an increase of $86 million, or 8%. The increase in net sales for the period reflected the unfavorable impact of foreign currency fluctuations of 6%.

Net sales in the Asia Pacific region were $701 million for the current quarter as compared with $681 million for the prior year quarter, representing an increase of $20 million, or 3%. The increase in net sales for the period reflected the unfavorable impact of foreign currency fluctuations of 2%.

Net sales in the Canada and Latin America region were $414 million in the current quarter as compared with $364 million for the fourth quarter of 2004, representing an increase of $50 million, or 14%. The increase in net sales for the period reflected the favorable impact of foreign currency fluctuations of 1%.

Emerging Markets

The company's major emerging markets include China, Brazil, Mexico, Russia, India, Korea, Hong Kong and Taiwan. Net sales in emerging markets were $751 million for the fourth quarter of 2005 as compared with $751 million for the prior year quarter, remaining unchanged.

The emerging market portfolio accounted for approximately 18% of Kodak's worldwide sales and 34% of Kodak's non-U.S. sales in the quarter. Sales growth was recorded for Mexico 25%, Brazil 12% and Russia 2%. Sales declines were recorded for China 16%, Taiwan 13%, Korea 5% and India 4%.

Gross Profit

Gross profit was $957 million for the fourth quarter of 2005 as compared with $975 million for the fourth quarter of 2004, representing a decrease of $18 million, or 2%. The gross profit margin was 22.8% in the current quarter as compared with 25.9% in the prior year quarter. The gross profit margin decreased 3.1 percentage points primarily attributable to:

- Price/Mix: reduced gross profit by 6.3 percentage points primarily attributable to the consumer digital capture, film capture, home printing solutions, and the Health Group digital capture SPG's, partially offset by the year over year increase in royalty income relating to digital capture.

- Manufacturing/Other Cost: favorable manufacturing cost increased gross profit by 2.1 percentage points primarily due to productivity improvements and cost reduction actions which more than offset the negative impacts of restructuring and asset useful life changes.

- Exchange: negatively impacted gross profit margins by 0.5 percentage point.

- Acquisitions: positively impacted gross profit by 1.3 percentage points.

Gross profit in the quarter includes the following items:

- Additional year over year restructuring costs of $40 million.

- Additional accelerated depreciation and asset useful life changes of $158 million.

Selling, General and Administrative Expenses

SG&A expenses were $748 million for the fourth quarter of 2005 as compared with $710 million for the prior year quarter, representing an increase of $38 million, or 5%. The increase in SG&A is primarily attributable to:

- Acquisition related SG&A of $99 million

- A charge for a legal settlement of $7 million

These increases were partially offset by:

- Cost reduction initiatives

- Favorable foreign exchange of $12 million

As a percentage of sales, SG&A was 18% for the current quarter, as compared with 19% in the prior year quarter.

Research and Development Costs

R&D expenses were $212 million for the fourth quarter of 2005 as compared with $221 million for the fourth quarter of 2004, representing a decrease of $9 million, or 4%. The total for the fourth quarter of 2005 includes R&D expense of $33 million associated with the acquisitions of Creo and KPG. R&D as a percentage of sales decreased from 6% for the fourth quarter of 2004 to 5% for the current quarter.

Restructuring Costs and Other

Cost Reduction Plans:

On July 20, 2005 Kodak announced that, as part of its effort to accelerate its digital transformation, the Company would extend the restructuring program originally announced in January 2004 to be largely completed by the middle of 2007. The extension of the January 2004 program includes two major additional initiatives:

- Reducing general and administrative costs, in part, by consolidating functions and standardizing business processes. This will result in an incremental employment reduction totaling approximately 2,300 positions.

- Accelerating the current restructuring of the traditional manufacturing asset base. At the conclusion of this restructuring, and including the impact of the change in useful lives of manufacturing assets, the company expects that its traditional asset base will be decreased to approximately $1 billion, a reduction of 65 percent from the January 2004 level. The incremental employment reduction specific to manufacturing will be approximately 7,000 positions.

Total cost reduction actions will bring the total worldwide employment reduction under this extended program to a range of 22,500 to 25,000 by mid-year 2007. The charges associated with the additional moves will increase the total to a range of $2.7 billion to $3 billion, up from $1.3 billion to $1.7 billion announced in January 2004. The annual savings from the new actions will increase the total to a range of $1.6 billion to $1.8 billion, up from $800 million to $1 billion announced in January 2004.

In the fourth quarter, Kodak implemented cost reduction actions resulting in pre-tax charges totaling $311 million. The components of restructuring in the fourth quarter included (1) $137 million in charges for employee severance relating to the elimination of approximately 2,100 positions, (2) $38 million in charges associated with exit costs and asset impairments, (3) $10 million gain for a pension plan curtailment, and (4) $6 million in reversals of prior reserves.

These components total $159 million and are recorded in "Restructuring Costs and Other" in the Company's consolidated statement of operations. In addition, the company recorded accelerated depreciation and inventory write-offs of $152 million during the quarter, which are recorded in "Cost of Goods Sold" (COGS) in the Company's consolidated statement of operations.

Under the current cost reduction program on a program-to-date basis Kodak has implemented cost reduction actions resulting in pre-tax charges totaling approximately $2.0 billion, which includes the elimination of approximately 17,600 positions worldwide.

Earnings (Loss) From Continuing Operations Before Interest, Other Income (Charges), Net and Income Taxes (EFO):

EFO for the fourth quarter of 2005 was a loss of $162 million as compared with a loss of $236 million for the fourth quarter of 2004, representing an increase of $74 million. The increase in earnings from operations is attributable to the reasons indicated above.

Digital Earnings:

Fourth quarter digital earnings on a GAAP basis were $161 million driven primarily by acquisition related GCG earnings. Digital earnings were also favorably impacted by a year over year increase in royalty income, which reflects the Company's continuing progress in the monetization of its intellectual property.

Refer to the attached "non-GAAP" reconciliations for a reconciliation of digital earnings.

Interest Expense

Interest expense for the fourth quarter of 2005 was $67 million as compared with $38 million for the prior year quarter, representing an increase of $29 million. Higher interest expense is a result of increased levels of debt associated with acquisitions.

Other Income, Net

The "Other Income, Net" component includes investment income, income and losses from equity investments, gains and losses on the sales of assets and investments, and foreign exchange gains and losses.

Other Income for the current quarter was $55 million as compared with Other Income of $131 million for the fourth quarter of 2004. The largest contributor to the decrease in Other Income for the current quarter is the inclusion of the Sun Microsystems legal settlement of $92 million (pre-tax) in the prior year quarter.

Income Tax Provision (Benefit)

The Company's annual effective tax rate from continuing operations decreased from a benefit rate of 59% for the prior year fourth quarter to a benefit rate of 18% for the fourth quarter of 2005. This decrease is primarily attributable to the inability to benefit losses in the U.S. and changes related to valuation allowances against net U.S. deferred tax assets.

During the fourth quarter of 2005, the Company recorded a tax benefit from continuing operations of $31 million on a pre-tax loss of $174 million. The tax benefit of $31 million for the quarter differs from the tax benefit of $61 million that results from applying the Company's statutory tax rate to the pre-tax loss of $174 million due to (1) the $20 million true-up of the tax provision recorded related to the prior quarter estimated write-down of the net deferred tax assets in the U.S. resulting from the Company's plan to accelerate restructuring of its traditional business combined with current and anticipated losses in the U.S. with respect to such operations, (2) the $39 million tax benefit resulting from the Company's audit settlement with the Internal Revenue Service for tax years covering 1993 through 1998 and (3) a combination of net discrete period charges that were not benefited for tax in the U.S. and charges taxed in jurisdictions that, when aggregated, have tax rates lower than the Company's statutory tax rate from continuing operations. The net discrete period tax charges are primarily attributable to the creation of the valuation allowance against U.S. deferred tax assets resulting from discrete charges during 2005 including restructuring and other actions related to the decline of the traditional business.

During the fourth quarter of 2004, the Company recorded a tax benefit from continuing operations of $85 million on a pre-tax loss of $143 million. The tax benefit of $85 million for the quarter differs from the tax benefit of $50 million that results from applying the Company's statutory tax rate to the pre-tax loss of $143 million due to changes related to valuation allowances and discrete period charges which are taxed in jurisdictions that, when aggregated, have tax rates lower than the Company's statutory tax rate from continuing operations.

Loss from Continuing Operations

The loss from continuing operations for the fourth quarter of 2005 was $143 million, or $.50 per diluted share, as compared with the loss from continuing operations for the fourth quarter of 2004 of $58 million, or $.20 per diluted share, representing an increase in the year over year loss of $85 million.

Earnings from Discontinued Operations

Earnings from discontinued operations for the fourth quarter of 2005 were $148 million, which includes (1) $203 million relating to the settlement between the Company and the Internal Revenue Service on the audit of the tax years 1993 through 1998, partially offset by (2) a pension settlement charge of $55 million resulting from the fourth quarter 2005 finalization of the transfer of pension assets to ITT in connection with the sale of the Company's Remote Sensing Systems in the third quarter of 2004. The $203 million relating to the tax audit settlement resulted from the reversal of certain tax accruals, which were established in 1994 in connection with the Company's sale of its pharmaceutical, consumer health and household products businesses during that year.

Cumulative Effect of an Accounting Change

The cumulative effect of an accounting change, net charge of $57 million is the result of the Company's adoption of Financial Accounting Standards Board Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations" as of December 31, 2005. Under FIN 47, the Company is required to record an obligation and an asset for the present value of the estimated cost of fulfilling its legal obligation with respect to the retirement of an asset when the timing or method of settling that obligation is conditional upon a future event (for example, the sale of, exiting from or disposal of an asset - the "settlement date"). The primary application of FIN 47 to the Company is with respect to asbestos remediation. The $57 million charge represents the present value of the Company's asset retirement obligations (net of the related unamortized asset) relating to facilities with estimated settlement dates.

Segment Results:

DIGITAL & FILM IMAGING SYSTEMS

This segment provides consumers, professionals and cinematographers with digital and traditional products and services.

Worldwide Revenues

Net worldwide sales for the Digital and Film Imaging Systems segment were $2.513 billion for the fourth quarter of 2005 as compared with $2.591 billion for the fourth quarter of 2004, representing a decrease of $78 million, or 3%. The decrease in net sales was composed of:

- Volume: volumes increased fourth quarter sales by 8.1 percentage points driven primarily by increases in the consumer digital capture and home printing solutions SPG's.

- Price/Mix: price/mix declines reduced fourth quarter sales by 9.6 percentage points, primarily driven by the consumer digital capture, home printing solutions and film capture SPG's.

- Exchange: unfavorable exchange reduced fourth quarter sales by 1.5 percentage points.

Net sales in the U.S. were $1.341 billion for the current quarter as compared with $1.205 billion for the fourth quarter of 2004, representing an increase of $136 million, or 11%.

Net sales outside the U.S. were $1.172 billion for the fourth quarter of 2005 as compared with $1.386 billion for the prior year quarter, representing a decrease of $214 million, or 15%.

DFIS segment digital product sales were $1.377 billion for the current quarter as compared with $1.006 billion for the fourth quarter of 2004, representing an increase of $371 million, or 37%, primarily driven by the consumer digital capture SPG, the kiosks/media portion of the consumer output SPG, and the home printing SPG.

Segment traditional product sales were $1.136 billion for the current quarter as compared with $1.585 billion for the fourth quarter of 2004, representing a decrease of $449 million or 28%, primarily driven by declines in the consumer output and film capture SPG's.

Digital Strategic Product Groups' Revenue

Net worldwide sales of consumer digital capture products, which include consumer digital cameras, accessories, memory products and royalties, increased 41% in the fourth quarter of 2005 as compared with the prior year quarter, primarily reflecting strong volume increases, partially offset by negative price/mix and unfavorable exchange. Kodak gained U.S. and worldwide unit market share on a year to date basis through November. Kodak strengthened its number one market share position in the U.S. and remains in the number three market position on a worldwide basis through November.

Net worldwide sales of Picture Maker kiosks/media increased 23% in the fourth quarter of 2005 as compared with the fourth quarter of 2004, as a result of strong volume increases partially offset by unfavorable exchange. Sales continue to be driven by strong consumable sales at retail locations, with media volumes increasing 87% versus last year.

Net worldwide sales from the home printing solutions SPG, which includes inkjet photo paper and printer docks/media, increased 65% in the current quarter as compared with the fourth quarter of 2004 driven by a 95% increase in sales of printer docks and associated thermal media. Through November, Kodak's Printer Dock product continues to maintain a leading market share position on a weighted average basis in six key countries where market share is measured. During the quarter, inkjet paper sales declined year over year.

Traditional Strategic Product Groups' Revenue

Net worldwide sales of the film capture SPG, including consumer roll film (35mm and APS film), one-time-use cameras (OTUC), professional films, reloadable traditional film cameras and batteries/videotape decreased 36% in the fourth quarter of 2005 as compared with the fourth quarter of 2004, primarily reflecting volume declines, negative price/mix and unfavorable exchange.

U.S. consumer film industry sell-through volumes decreased approximately 28% in the fourth quarter and 25% for full year 2005 as compared with the prior year. These results are in-line with previously communicated expectations.

Net worldwide sales for the retail photofinishing SPG, which includes color negative paper, minilab equipment and services, chemistry, and photofinishing services at retail, decreased 35% in the fourth quarter of 2005 as compared with the fourth quarter of 2004, primarily reflecting volume declines, negative price/mix and unfavorable exchange.

Net worldwide sales for the wholesale photofinishing SPG, which includes color negative paper, equipment, chemistry, and photofinishing services at Qualex in the U.S. and CIS (Consumer Imaging Services) outside the U.S., decreased 49% in the fourth quarter of 2005 as compared with the fourth quarter of 2004, reflecting continuing volume declines, negative price/mix and unfavorable exchange.

Net worldwide sales for the entertainment film SPG's, including origination and print films for the entertainment industry, decreased 2%, primarily reflecting volume increases offset by negative price/mix and unfavorable exchange. For full year 2005 entertainment film sales increased 1%.

Gross Profit

Gross profit for the Digital and Film Imaging Systems segment was $578 million for the fourth quarter of 2005 as compared with $679 million for the prior year quarter, representing a decrease of $101 million or 15%. The gross profit margin was 23.0% in the current year quarter as compared with 26.2% in the prior year quarter. The 3.2 percentage point decrease was primarily attributable to:

-- Price/Mix: reduced gross profit by 8.1 percentage points primarily attributable to the home printing solutions, film capture and consumer digital capture SPG's, partially offset by the year over year increase in royalty income relating to digital capture.

-- Manufacturing/Other Cost: favorable manufacturing/other cost increased gross profit margins by 4.9 percentage points primarily driven by productivity improvements and cost reduction actions, which more than offset the negative impacts of asset useful life changes.

Selling, General and Administrative Expenses

In the fourth quarter, SG&A expenses for the Digital and Film Imaging Systems segment decreased $22 million or 5%, from $460 million in the fourth quarter of 2004 to $438 million in the current quarter, and decreased as a percentage of sales from 18% to 17% in the current quarter.

Research and Development Costs

Fourth quarter R&D costs for the Digital and Film Imaging Systems segment decreased $19 million, or 23%, from $83 million in the fourth quarter of 2004 to $64 million in the current quarter and remained flat as a percentage of sales at 3%. The decrease in R&D year over year was primarily attributable to spending reductions related to traditional products and services.

Earnings from Continuing Operations Before Interest, Other Income (Charges), Net and Income Taxes

Earnings from operations for the Digital and Film Imaging Systems segment decreased $59 million, or 44%, from $135 million in the fourth quarter of 2004 to $76 million in the fourth quarter of 2005, primarily as a result of the factors described above. The operating earnings margin rate decreased from 5% for the prior year quarter to 3% in the current quarter.

HEALTH GROUP

The Health Group segment supplies the healthcare industry with traditional and digital image capture and output products and services.

Worldwide Revenues

Net worldwide sales for the Health Group were $700 million for the fourth quarter of 2005 as compared with $741 million for the prior year quarter, representing a decrease of $41 million, or 6%. The decrease in net sales was composed of:

-- Volume: Volumes decreased fourth quarter sales by .5 percentage point, primarily driven by the digital output and film capture & output SPG's.

-- Price/Mix: Decreases in price/mix reduced fourth quarter sales by 2.5 percentage points, primarily driven by the digital capture, digital output, and film capture and output SPG's.

-- Exchange: Unfavorable exchange impacted sales by 2.7 percentage points.

Net sales in the U.S. were $274 million for the current quarter as compared with $303 million for the fourth quarter of 2004, representing a decrease of $29 million, or 10%.

Net sales outside the U.S. were $426 million for the fourth quarter of 2005 as compared with $438 million for the prior year quarter, representing a decrease of $12 million, or 3%.

Digital Strategic Product Groups' Revenues

Net worldwide sales of digital products, which include digital output (DryView laser imagers/media and wet laser printers/media), digital capture equipment (computed radiography (CR) and digital radiography (DR) systems), services, dental systems (practice management software and digital radiography capture equipment) and healthcare information systems (PACS - Picture Archiving and Communications Systems and RIS - Radiology Information Systems), were $477 million for the current quarter as compared with $490 million for the fourth quarter of 2004, representing a decrease of $13 million, or 3% primarily driven by volume and price declines in the digital output SPG.

Traditional Strategic Product Groups' Revenues

Net worldwide sales of traditional products, including analog film, equipment and chemistry were $223 million for the current quarter as compared with $251 million for the prior year quarter, representing a decrease of $28 million, or 11%, primarily driven by volume and price declines in the film capture and output SPG.

Gross Profit

Gross profit for the Health Group was $256 million for the fourth quarter of 2005 as compared with $307 million in the prior year quarter, representing a decrease of $51 million, or 17%. The gross profit margin was 36.6% in the current quarter as compared with 41.4% in the fourth quarter of 2004. The decrease in the gross profit margin of 4.8 percentage points was principally attributable to:

-- Manufacturing/Other Cost: manufacturing/other cost decreased gross profit margins by 2.0 percentage points, primarily reflecting accelerated depreciation of manufacturing assets and higher silver costs.

-- Price/Mix: price/mix negatively impacted gross profit margins by 2.9 percentage points primarily driven by the digital capture and film capture and output SPG's.

-- Exchange: unfavorable exchange impacted gross profit margin by 0.3 percentage point.

Selling, General and Administrative Expenses

In the fourth quarter, SG&A expenses for the Health Group decreased $4 million, or 3%, from $135 million in the fourth quarter of 2004 to $131 million for the current quarter, but increased as a percent of sales from 18% to 19%.

Research and Development Costs

Fourth quarter R&D costs decreased $17 million from $59 million in the fourth quarter of 2004 to $42 million in the current quarter, a decrease of 29%, and decreased as a percentage of sales from 8% to 6%.

Earnings From Continuing Operations Before Interest, Other Income (Charges), Net and Income Taxes

Earnings from operations for the Health Group decreased $30 million, or 27%, from $113 million for the prior year quarter to $83 million for the fourth quarter of 2005, while EFO as a percentage of sales decreased 3 percentage points to 12% from 15% for the prior year quarter. This decline primarily reflects the impact of lower gross profit margins.

GRAPHIC COMMUNICATIONS

The Graphic Communications segment serves a variety of customers in the creative, in-plant, data center, commercial printing, packaging, newspaper and digital service bureau market segments with a range of software, media and hardware products that provide customers with a variety of solutions for prepress equipment, workflow software, traditional and digital printing, and document scanning and multi-vendor IT services.

On January 12, 2005, the Company announced that it had entered into a Redemption Agreement with Sun Chemical Corporation and Sun Chemical Group B.V. (collectively, "Sun"), pursuant to which the parties agreed to consummate certain transactions that resulted in Kodak owning 100% of the equity interests in Kodak Polychrome Graphics LLC and Kodak Polychrome Graphics Company Ltd (KPG). The Company completed its acquisition of KPG on April 1, 2005.

On January 31, 2005, the Company announced that it had entered into a definitive agreement to acquire all of the outstanding common shares of Creo Inc., a premier supplier of prepress systems used by commercial printers worldwide. The Company completed its acquisition of Creo on June 15, 2005.

Worldwide Revenues

Net worldwide sales for the Graphic Communications segment were $942 million for the fourth quarter of 2005 as compared with $391 million for the prior year quarter, representing an increase of $551 million, or 141%. The increase in net sales was primarily due to the completion of the KPG and Creo acquisitions.

Net sales in the U.S. were $341 million for the current year quarter as compared with $172 million for the prior year quarter, representing an increase of $169 million, or 98%.

Net sales outside the U.S. were $601 million in the fourth quarter of 2005 as compared with $219 million for the prior year quarter, representing an increase of $382 million or 174%.

Digital Strategic Product Groups' Revenues

The Graphic Communications segment digital product sales for the current quarter were $792 million versus $324 million for the prior year quarter, an increase of 144%, primarily related to the acquisitions of KPG and Creo.

Segment digital sales are comprised of KPG digital revenues, NexPress Solutions, a producer of digital color and black and white printing solutions; Creo, a supplier of prepress systems; Kodak Versamark, a provider of continuous inkjet technology, document scanners, Encad; a maker of wide format inkjet printers, and service and support.

Net worldwide sales for NexPress products increased 22% for the second half of 2005 compared with the second half of 2004, primarily driven by unit volume increases partially offset by negative price/mix and unfavorable exchange. NexPress color is finishing 2005 with strong order backlog. For full year 2005, color monthly page volumes continued to increase, which resulted in higher NexPress consumables revenue for the year.

Kodak Versamark sales increased 38% in the current quarter as compared with the fourth quarter of 2004, driven primarily by their success in continuing to penetrate the transactional printing market.

Traditional Strategic Product Groups' Revenues:

Segment traditional product sales for the current quarter are $150 million versus $67 million for the fourth quarter of 2004, an increase of 124%, primarily due to the KPG acquisition. These traditional sales are comprised of the sales of Kodak traditional graphics products, KPG's analog plates and films, and microfilm products.

Gross Profit:

Gross profit for the Graphic Communications segment was $273 million for the fourth quarter of 2005 as compared with $96 million in the prior year quarter, representing an increase of $177 million, or 184%. The gross profit margin was 29.0% in the current quarter as compared with 24.6% in the prior year quarter. The increase in the gross profit margin of 4.4 percentage points was primarily attributable to:

-- Acquisitions: Creo and KPG increased gross profit margins by approximately 2.5 percentage points.

-- Price/Mix: price/mix favorably impacted gross profit by 1.6 percentage points.

-- Manufacturing/Other Cost: Manufacturing/other costs positively impacted gross profit margins by approximately .4 percentage point.

-- Exchange: unfavorable exchange subtracted .4 percentage points from gross profit margin.

Selling, General and Administrative Expenses

SG&A expenses for the Graphic Communications segment increased $89 million, or 117%, from $76 million in the fourth quarter of 2004 to $165 million for the current quarter, and decreased as a percentage of sales from 19% to 18%. The decrease in SG&A percentage is primarily attributable to the acquisitions of KPG and Creo, which have lower SG&A as a percent of sales.

Research and Development Costs

R&D costs increased $32 million, from $36 million in the fourth quarter of 2004 to $68 million in the current quarter and decreased as a percentage of sales from 9% for the fourth quarter of 2004 to 7% for the current quarter. The absolute dollar increase in R&D spending is primarily driven by increased R&D costs associated with acquired businesses.

Earnings (Loss) from Continuing Operations Before Interest, Other Income (Charges), Net and Income Taxes

Earnings from operations for the Graphic Communications segment were $40 million in the current quarter versus losses of $15 million for the prior year quarter primarily as a result of the factors outlined above.

ALL OTHER

All Other is composed of Kodak's display and components business for image sensors, optics, display materials, and other small, miscellaneous businesses. All Other also includes development initiatives in inkjet technologies. These businesses offer imaging sensors to original equipment manufacturers (OEMs) and other specialty materials including organic light emitting diode (OLED) technology to commercial customers.

Worldwide Revenues

Net worldwide sales for All Other were $42 million for the fourth quarter of 2005, as compared with $36 million for the prior year quarter, representing an increase of $6 million, or 17%

Net sales in the U.S. were $20 million for the current year quarter as compared with $14 million for the prior year quarter, representing an increase of $6 million, or 43%.

Net sales outside the U.S. were $22 million in the fourth quarter of 2005 as compared with $22 million for the prior year quarter, remaining unchanged.

Earnings (Loss) from Continuing Operations Before Interest, Other Income (Charges), Net and Income Taxes

The loss from operations for All Other was $43 million in the current quarter, an increase in earnings of $29 million or 40% as compared with the loss from operations of $72 million in the fourth quarter of 2004, primarily driven by portfolio rationalization and an increase in earnings from the sensor business.

Balance Sheet:

Cash Flow:

Net cash provided by (used in) continuing operations relating to operating activities, investing activities and financing activities, as determined under U.S. GAAP in the fourth quarter of 2005 was $1.24 billion, ($101) million and ($106) million, respectively.

Kodak's definition of free cash flow equals net cash provided by continuing operations relating to operating activities less additions to properties. Kodak's definition of operating cash flow equals free cash flow plus proceeds from sales of assets plus distributions from unconsolidated affiliates minus investments in unconsolidated affiliates minus acquisitions minus debt assumed through acquisitions minus dividends. Investable cash flow is operating cash flow excluding acquisitions and debt assumed in acquisitions.

During the fourth quarter, operating cash flow was $1.070 billion, a $623 million increase versus $447 million in the year ago quarter primarily driven by inventory reductions, and the favorable impacts of the company's continuing progress in the monetization of its intellectual property.

Investable cash flow for the current quarter was $1.067 billion, $609 million higher than the $458 million in the fourth quarter of 2004. Investable cash flow for the year was targeted at the lower end of the $400 million to $600 million range, as outlined on September

28th at the Company's New York investor meeting, and the Company exceeded this target with full year investable cash flow of $728 million for 2005.

The table below reconciles the net cash provided by continuing operations relating to operating activities as determined under U.S. GAAP, to Kodak's definition of (1) free cash flow, (2) operating cash flow and (3) investable cash flow for the fourth quarter of 2005 and 2004 and full year 2005 and 2004.

4th Quarter

($ millions)	2005	2004
Net cash (used in) provided by continuing operations relating to operating activities:	$1,240	$702
Additions to properties	(140)	(177)
Free Cash Flow (continuing operations)	1100	525
Net proceeds from sales of businesses/assets	68	4
Distributions from/(investments in) unconsolidated affiliates	(29)	0
Acquisitions, net of cash acquired	3	(11)
Debt assumed through acquisitions	0	0
Dividends	(72)	(71)
Operating Cash Flow (continuing operations)	1070	447
Acquisitions, net of cash acquired	(3)	11
Debt assumed through acquisitions	0	0
Investable Cash Flow (continuing operations)	$1,067	$458

Full Year

($ millions)	2005	2004
Net cash provided by continuing operations relating to operating activities:	$1,180	$1,146
Additions to properties	($472)	($460)
Free Cash Flow (continuing operations)	708	686
Net proceeds from sales of businesses/assets	130	24
Distributions from/(investments in) unconsolidated affiliates	34	(31)
Acquisitions, net of cash acquired	(984)	(369)
Debt assumed through acquisitions	(541)	0
Dividends	(144)	(143)
Operating Cash Flow (continuing operations)	(797)	167
Acquisitions, net of cash acquired	984	369
Debt assumed through acquisitions	541	0
Investable Cash Flow (continuing operations)	$728	$536

Dividend:

The company makes semi-annual dividend payments, which, when declared by the Board of Directors, will be paid on the company's 10th business day each July and December to shareholders of record as of the close of the first business day of the preceding month. The Company paid a semi-annual dividend payment on December 14, 2005.

Capital Spending:

Capital additions were $140 million in the fourth quarter of 2005, which was $37 million lower than the year ago quarter and $18 million higher quarter sequentially. The majority of the spending supported new products, manufacturing productivity and quality improvements, infrastructure improvements and ongoing environmental and safety initiatives.

Receivables:

Total net receivables of $2.760 billion, which were composed of trade ($2.447 billion) and miscellaneous ($313 million) receivables at the end of the fourth quarter of 2005, increased $216 million from the fourth quarter of 2004 and decreased $107 million quarter sequentially. The quarter sequential decrease is primarily driven by a shift in sales timing away from the end of the quarter, as well as management collection efforts. The year over year increase is primarily driven by receivables from acquisitions.

Accrued customer rebates are classified as miscellaneous payables; however, the majority of these are cleared through customer deductions. The effect of offsetting these accrued customer rebates would reduce the net trade receivable balance by $374 million to $2.073 billion at the end of the fourth quarter of 2005, and would reduce the net trade receivable balance by $500 million to $1.637 billion at the end of the fourth quarter of 2004.

Kodak defines days sales outstanding (DSO) as the four-quarter moving average net trade receivables after customer rebate reclassification, divided by 12 months of trade sales, multiplied by 365 days. Due to the fact that reported sales are net of customer rebates and a majority of these rebates are cleared through customer deductions, the company's DSO calculation includes the impact of reclassifying rebates as an offset to receivables. By reclassifying the rebates as an offset to receivables, the company's DSO is more reflective of the true number of days the net trade receivables are outstanding.

DSO from continuing operations for the fourth quarter was 52 days, higher than the prior year quarter by 7 days and higher quarter sequentially by 2 days. This is primarily due to the newly acquired businesses that tend to have higher DSO.

If rebate accrual balances were not offset against receivables for purposes of calculating the DSO, DSO from continuing operations would have increased year over year by 4 days to 61 days and flat quarter sequentially.

Inventory:

Kodak's inventories of $1.140 billion (after LIFO) decreased $18 million year over year and decreased $517 million quarter sequentially. The quarter sequential decrease is primarily due to planned inventory reductions in-line with corporate initiatives, combined with the continued decline in demand for traditional film products.

Kodak defines days supply of inventory (DSI) from continuing operations as four-quarter average inventory before the LIFO reserve divided by 12 months COGS, multiplied by 365 days. For purposes of Kodak's definition, COGS excludes certain manufacturing-related costs that are considered to be unusual or that occur infrequently.

Inventory before the LIFO reserve was $1.431 billion, $57 million lower than a year ago and $520 million lower than the third quarter of 2005. DSI from continuing operations of 62 days was lower by 1 day from the fourth quarter 2004 and lower by 3 days quarter sequentially.

Kodak defines inventory turns as 12 months COGS divided by four-quarter average inventory before the LIFO reserve. Inventory turns from continuing operations were 5.9, which is 0.1 higher than a year ago and 0.3 higher quarter sequentially.

Including the impact of the LIFO reserve and using COGS as reported on a GAAP basis, DSI from continuing operations of 49 days increased by one day from the fourth quarter of 2004 and decreased by 2 days quarter sequentially. Inventory turns from continuing operations of 7.5 were 0.1 lower than a year ago and increased 0.3 quarter sequentially.

Debt:

Debt increased $1.207 billion from the year-end level to $3.528 billion, reflecting acquisitions, and the company held $1.665 billion in cash on its balance sheet at the end of the quarter, up from $1.255 billion at the end of 2004. Quarter sequentially, debt decreased by $35 million to $3.528 billion and cash increased by $1.055 billion to $1.665 billion.

Equity was $1.964 billion and the debt to total capital ratio was 64.2%, reflecting an increase of 3.8 percentage points quarter sequentially and an increase of 26.4 percentage points year over year. The increase is driven primarily by the debt associated with the acquisitions of KPG and Creo, and also by the decrease in equity resulting from year-to-date losses of $1.371 billion, inclusive of $1.1 billion in year to date tax charges to establish a valuation allowance against the net deferred tax assets in the U.S.

Debt Covenant

During the quarter, the Company successfully completed $2.7 billion of senior secured credit facilities. As part of this credit facility, financial covenants were established for debt to EBITDA and EBITDA to interest expense. As of year end 2005, the debt to EBITDA was 2.8 versus a covenant restriction of <4.75. EBITDA to interest at year end 2005 was 6.4 versus a requirement of >3.0.

Foreign Exchange:

The impact of foreign exchange on operating activities during the fourth quarter of 2005 was ($0.07) per share, down $0.19 per share year over year, and foreign exchange activities recorded in "Other Income/(Charges)" had a positive $0.02 per share impact, up $0.04 per share from fourth quarter 2004. Therefore, the sum of the operational and reportable exchange impacts decreased earnings in the fourth quarter of 2005 by ($0.05) per share, down $0.15 from prior year quarter.

Accounting for Employee Stock Option Awards:

On January 1, 2005, the Company adopted FASB Statement No. 123(R), Share Based Payment, and began recognizing expense related to its employee stock option awards. The FASB recently issued a proposed staff position (FSP) which, if adopted as proposed, would require companies to classify employee stock options with contingent cash settlement features as equity awards provided the contingent event, such as a change in control event, is not considered probable of occurring. This classification would be consistent with the Company's present classification of its outstanding stock option awards with contingent cash settlement features. All financial information reported in this press release is presented on a U.S. GAAP basis assuming the proposed FSP is adopted as currently drafted. However, if the FASB does not finalize, or changes the final provisions of the proposed FSP, the Company would be required to reclassify certain of its stock option awards to a liability as of January 1, 2005 and as of the end of each quarter in 2005. A change in the Company's present classification as equity of certain of the Company's stock option awards would also require the Company to record a liability and report the impact of recording the liability as the cumulative effect of a change in accounting principle as of January 1, 2005 in the Company's Statement of Operations for the first quarter of 2005. In addition to the reclassification of existing liabilities and the recording of an additional liability, the Company would record the change in fair value of those awards in the Statement of Operations each quarter, and accordingly, the net loss as originally reported in each quarter of 2005 may change.

The Company has not yet computed what (1) the cumulative effect of the change in accounting principle as of January 1, 2005 would be or (2) what the impact would be on the net loss for each of the quarters in 2005 if the FASB does not issue the FSP as drafted. The Company believes that the impact of recording the additional liability would be material.

Safe Harbor Statement:

Digital and traditional revenues, digital revenue growth, digital earnings, and investable cash flow are non-GAAP financial measures as defined by the Securities and Exchange Commission's final rules under "Conditions for Use of Non-GAAP Financial Measures." Reconciliations of these measures included in this press release to the most directly comparable GAAP financial measures can be found in the Financial Discussion Document attached to this press release.

Certain statements in this press release may be forward looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to expectations for the Company's earnings, revenue, revenue growth, and cash are forward-looking statements.

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

-- Implementation of our digital growth and profitability strategies, business model, and cash plan;

-- Implementation of a changed segment structure;

-- Implementation of our cost reduction program, including asset rationalization and monetization, reduction in sales, general and administrative costs and personnel reductions;

-- Implementation of, and performance under, our debt management program;

- Implementation of product strategies (including category expansion, digitization, organic light emitting diode (OLED) displays, and digital products);

- Implementation of intellectual property licensing and other strategies;

- Development and implementation of e-commerce strategies;

- Completion of information systems upgrades, including SAP, our enterprise system software;

- Completion of various portfolio actions;

- Reduction of inventories;

- Integration of newly acquired businesses;

- Improvement in manufacturing productivity and techniques;

- Improvement in receivables performance;

- Reduction in capital expenditures;

- Improvement in supply chain efficiency and management of sourcing relationships;

- Implementation of our strategies designed to address the decline in our traditional businesses; and

- Performance of our business in emerging markets like China, India, Brazil, Mexico and Russia;

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

- Inherent unpredictability of currency fluctuations and raw material costs;

- Competitive actions, including pricing;

- Changes in our debt credit ratings and our ability to access capital markets;

- The nature and pace of technology evolution, including the traditional-to-digital transformation;

- Continuing customer consolidation and buying power;

- Current and future proposed changes to accounting rules and to tax laws, as well as other factors which could adversely impact our effective tax rate in the future;

- General economic, business, geopolitical, regulatory and public health conditions;

- Market growth predictions, and

- Other factors and uncertainties disclosed from time to time in our filings with the Securities and Exchange Commission;

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

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Eastman Kodak Company
CONSOLIDATED STATEMENT OF EARNINGS - UNAUDITED
(in millions, except per share data)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2005	2004	2005	2004
Net sales	$4,197	$3,759	$14,268	$13,517
Cost of goods sold	3,240	2,784	10,631	9,582
Gross profit	957	975	3,637	3,935

Selling, general and administrative expenses	748	710	2,649	2,491
Research and development costs	212	221	892	836
Restructuring costs and other	159	280	690	695
Loss from continuing operations before interest, other income (charges), net and income taxes	(162)	(236)	(594)	(87)
Interest expense	67	38	211	168
Other income (charges), net	55	131	44	161
Loss from continuing operations before income taxes	(174)	(143)	(761)	(94)
(Benefit) provision for income taxes	(31)	(85)	703	(175)
(Loss) earnings from continuing operations	(143)	(58)	(1,464)	81
Earnings (loss) from discontinued operations, net of income taxes	148	(1)	150	475
Cumulative effect of accounting change	(57)	-	(57)	-
NET (LOSS) EARNINGS	$ (52)	$ (59)	$(1,371)	$ 556
Basic and diluted net (loss) earnings per share:				
Continuing operations	$ (.50)	$ (.20)	$(5.08)	$ .28
Discontinued operations	.52	-	.52	1.66
Cumulative effect of accounting change	(.20)	-	(.20)	-
Total	$ (.18)	$ (.20)	$(4.76)	$1.94
Number of common shares used in net (loss) earnings per share:				
Basic	287.2	286.7	287.9	286.6
Diluted	287.2	286.7	287.9	286.8

Net Sales from Continuing Operations by Reportable Segment and All Other - Unaudited
(in millions)

	Three Months Ended December 31			Twelve Months Ended December 31		
	2005	2004	Change	2005	2004	Change
D&FIS						
Inside the U.S.	$1,341	$1,205	+ 11%	$ 3,777	$ 3,900	- 3%
Outside the U.S.	1,172	1,386	- 15	4,683	5,466	- 14
Total D&FIS	2,513	2,591	- 3	8,460	9,366	- 10
Health						
Inside the U.S.	274	303	- 10	1,052	1,114	- 6
Outside the U.S.	426	438	- 3	1,603	1,572	+ 2
Total Health	700	741	- 6	2,655	2,686	- 1
Graphic Communications						
Inside the U.S.	341	172	+ 98	1,079	587	+ 84
Outside the U.S.	601	219	+174	1,911	756	+153
Total Graphic Communications	942	391	+141	2,990	1,343	+123
All Other						
Inside the U.S.	20	14	+ 43	71	57	+ 25

Outside the U.S.	22	22	0	92	65	+ 42
Total All Other	42	36	+ 17	163	122	+ 34
Consolidated total	$4,197	$3,759	+ 12%	$14,268	$13,517	+ 6

(Loss) Earnings from Continuing Operations Before Interest, Other Income (Charges), Net and Income Taxes by Reportable Segment and All Other - Unaudited
(in millions)

	Three Months Ended December 31			Twelve Months Ended December 31		
	2005	2004	Change	2005	2004	Change
D&FIS	$ 76	$ 135	- 44%	$ 368	$598	- 38%
Percent of Sales	3%	5%		4%	6%	
Health	$ 83	$ 113	- 27%	$ 355	$452	- 21%
Percent of Sales	12%	15%		13%	17%	
Graphic Communications	$ 40	$ (15)	+367%	$ 2	$(39)	+105%
Percent of Sales	4%	(4)%		- %	(3)%	
All Other	$ (43)	$ (72)	+ 40%	$(178)	$(191)	+ 7%
Percent of Sales	(102)%	(200)%		(109)%	(157)%	
Total of segments	$ 156	$ 161	- 3%	$ 547	$ 820	- 33%
Percent of Sales	4%	4%		4%	6%	
Restructuring costs and other	(311)	(391)		(1,134)	(901)	
Legal settlement	(7)	(6)		(7)	(6)	
Consolidated total	$(162)	$(236)	+ 31%	$(594)	$ (87)	- 583%

(Loss) Earnings from Continuing Operations by Reportable Segment and All Other - Unaudited
(in millions)

	Three Months Ended December 31			Twelve Months Ended December 31		
	2005	2004	Change	2005	2004	Change
D&FIS	$ 37	$ 122	- 70%	$ 218	$ 520	- 58%
Percent of Sales	1%	5%		3%	6%	
Health	$ 22	$ 84	- 74%	$ 199	$ 366	- 46%
Percent of Sales	3%	11%		7%	14%	
Graphic Communications	$ 20	$ -		$ (9)	$ (8)	- 13%
Percent of Sales	2%			-	(1)%	
All Other	$ (8)	$ (64)	+ 88%	$ (99)	$(163)	+ 39%
Percent of Sales	(19)%	(178)%		(61)%	(134)%	
Total of segments	$ 71	$ 142	- 50%	$ 309	$ 715	- 57%
Percent of Sales	2%	4%		2%	5%	
Lucky film impairment	-	-		(19)	-	
Restructuring costs and other	(311)	(391)		(1,134)	(901)	
Japan Moriya warehouse impairment	(4)	-		(25)	-	
Property sales	-	-		41	-	
Sun Microsystems settlement	-	92		-	92	
GE settlement	-	9		-	9	
Legal settlement	(7)	(6)		(7)	(6)	
Interest expense	(67)	(38)		(211)	(168)	
Other corporate items	4	5		18	12	
Tax on Infotonics contribution	-	-		(6)	-	
Income tax effects on						

above items and taxes not allocated to above	171	129		(430)	328	
Consolidated total	$(143)	$ (58)	- 147%	$(1,464)	$ 81	-1,907%

Eastman Kodak Company
CONSOLIDATED STATEMENT OF FINANCIAL POSITION - UNAUDITED

(in millions, except share and per share data)	At December 31, 2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,665	$ 1,255
Receivables, net	2,760	2,544
Inventories, net	1,140	1,158
Deferred income taxes	100	556
Other current assets	116	105
Assets of discontinued operations	0	30
Total current assets	5,781	5,648
Property, plant and equipment, net	3,761	4,512
Goodwill	2,141	1,446
Other long-term assets	3,140	3,131
TOTAL ASSETS	$14,823	$14,737
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	$ 4,171	$ 3,896
Short-term borrowings	819	469
Accrued income taxes	467	625
Total current liabilities	5,457	4,990
Long-term debt, net of current portion	2,709	1,852
Pension and other postretirement liabilities	3,463	3,338
Other long-term liabilities	1,230	737
Total liabilities	12,859	10,917
Commitments and Contingencies (Note 11)		
SHAREHOLDERS' EQUITY		
Common stock, $2.50 par value; 391,292,760 shares issued in 2005 and 2004; 287,223,323 and 286,696,938 shares outstanding in 2005 and 2004	978	978
Additional paid in capital	873	859
Retained earnings	6,393	7,922
Accumulated other comprehensive loss	(460)	(90)
Unearned restricted stock	(6)	(5)
	7,778	9,664
Treasury stock, at cost 104,069,437 shares in 2005 and 104,595,822 shares in 2004	5,814	5,844
Total shareholders' equity	1,964	3,820
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$14,823	$14,737

Eastman Kodak Company
CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

(in millions)	For the Year Ended December 31, 2005	2004	2003

Cash flows from operating activities:			
Net (loss) earnings	$ (1,371)	$ 556	$ 253
Adjustments to reconcile to net cash provided by operating activities:			
Earnings from discontinued operations, net of income taxes	(150)	(475)	(64)
Cumulative effect of change in accounting principle	57	-	-
Equity in (earnings) losses from unconsolidated affiliates	(12)	(20)	52
Depreciation and amortization	1,418	1,030	864
Gain on sales of businesses/assets	(78)	(13)	(11)
Purchased research and development	54	16	32
Restructuring costs, asset impairments and other charges	195	130	156
Provision (benefit) for deferred income taxes	509	(37)	(49)
Decrease (increase) in receivables	228	(43)	15
Decrease in inventories	274	83	118
(Decrease) increase in liabilities excluding borrowings	(162)	(283)	103
Other items, net	218	202	98
Total adjustments	2,551	590	1,314
Net cash provided by continuing operations	1,180	1,146	1,567
Net cash provided by discontinued operations	28	22	78
Net cash provided by operating activities	1,208	1,168	1,645
Cash flows from investing activities:			
Additions to properties	(472)	(460)	(497)
Net proceeds from sales of businesses/assets	130	24	24
Acquisitions, net of cash acquired	(984)	(369)	(697)
Distributions from (investments in) unconsolidated affiliates	34	(31)	(89)
Marketable securities - sales	182	124	86
Marketable securities - purchases	(194)	(116)	(87)
Net cash used in continuing operations	(1,304)	(828)	(1,260)
Net cash provided by (used in) discontinued operations	-	708	(7)
Net cash used in investing activities	(1,304)	(120)	(1,267)
Cash flows from financing activities:			
Net decrease in borrowings with maturities of 90 days or less	(126)	(308)	(574)
Proceeds from other borrowings	2,520	147	1,693
Repayment of other borrowings	(1,729)	(767)	(531)
Dividends to shareholders	(144)	(143)	(330)
Exercise of employee stock options	12	5	12
Net cash provided by (used in) financing activities	533	(1,066)	270
Effect of exchange rate changes on cash	(27)	23	33
Net increase in cash and cash equivalents	410	5	681
Cash and cash equivalents, beginning of year	1,255	1,250	569
Cash and cash equivalents, end of year	$1,665	$1,255	$1,250

Eastman Kodak Company
Fourth Quarter 2005 Results
Non-GAAP Reconciliations

Within the Company's fourth quarter 2005 press release and financial discussion document, the Company makes reference to certain non-GAAP financial measures: "Digital revenue", "Traditional revenue", "Digital earnings", "Digital revenue growth", "Investable cash flow", and "EBITDA". Whenever such information is presented, the Company has complied with the provisions of the rules under Regulation G and Item 2.02 of Form 8-K. The specific reasons why the Company's management believes that the presentation of the non-GAAP financial measure provides useful information to investors regarding Kodak's financial condition, results of operations and cash flows have been provided in the Form 8-K filed in connection with this press release and financial discussion document.

Digital Revenue and Traditional Revenue

The following table reconciles digital revenue amounts and growth rate from prior year, as presented, to the most directly comparable GAAP measure of total consolidated net sales (dollar amounts in billions):

	Q4 2005	Q4 2004	Percentage Change
Digital revenue, as presented	$2.674	$1.850	+45%
Traditional revenue, as presented	1.514	1.905	-21%
New Technologies revenue	0.009	0.004	+125%
Total consolidated net sales	$4.197	$3.759	+12%

Digital Earnings

The following table reconciles digital earnings, as presented, to the most directly comparable GAAP measure of consolidated loss from continuing operations before interest, other income (charges), net and income taxes (loss from operations) (dollar amounts in millions):

	Q4 2005	Q4 2004
Digital earnings, as presented	$ 161	$ 63
Traditional earnings	41	140
New Technologies earnings	(46)	(42)
Total segment earnings from operations	156	161
Less: Charges not allocated to segments		
Restructuring costs	(311)	(391)
Legal settlements	(7)	(6)
Total consolidated loss from operations	$ (162)	$ (236)

Digital Revenue Growth

The following table reconciles digital revenue growth projections for 2006, as presented, to the most directly comparable GAAP measure of total consolidated net sales growth:

Digital revenue growth, as presented	16% - 22%
Traditional revenue and New Technologies revenue (net) decline	(22%) - (16%)
Total consolidated net sales growth (decline)	(2%) - 4%

2006 Digital Earnings Outlook

The following table reconciles the 2006 digital earnings outlook, as presented, to the most directly comparable GAAP measure of total consolidated earnings (loss) from continuing operations before interest, other income (charges), net and income taxes (loss from operations) (dollar amounts in millions):

Digital earnings, as presented	$350 - $450
Traditional earnings, New Technologies earnings and Restructuring costs	($1,450) - ($1,350)
Total consolidated loss from operations	($1,100) - ($900)

Investable Cash Flow

The following table reconciles the 2006 investable cash flow outlook, as presented, to the most directly comparable GAAP measure of net cash provided by operating activities from continuing operations (dollars in millions):

Investable cash flow, as presented	$400 - $600
Addback:	

Dividends, Additions to Properties, and Asset Sales	$400
Net cash provided by continuing operations from operating activities	$800 - $1,000

Debt Covenants - EBITDA

The following table reconciles EBITDA, as included in the computation of the debt to EBITDA ratio under the Company's covenants relative to the $2.7 billion senior secured credit facilities, to the most directly comparable GAAP measure of earnings (loss) from earnings (loss) from continuing operations before interest, other income (charges), net and income taxes (loss from operations) (dollar amounts in millions):

	2005
EBITDA, as included in Debt to EBITDA ratio	$1,260
Depreciation and Amortization	(1,418)
Restructuring Charges (Non-Cash) and Asset Write-offs/Impairments	(379)
Other Adjustments, Net	(57)
Loss from operations	$ (594)

Debt Covenants - Interest Expense

The following table reconciles interest expense, as included in the computation of the debt to EBITDA ratio under the Company's covenants relative to the $2.7 billion senior secured credit facilities, to the most directly comparable GAAP measure of interest expense on a GAAP basis (dollar amounts in millions):

	2005
Interest expense, as included in Interest Coverage ratio	$ 198
Adjustments to Interest Expense for Purpose of the Covenant Calculation	13
Interest expense (on a GAAP basis)	$ 211