# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

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

**For the quarterly period ended September 30, 2019**
**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** | **16-0417150** |
| **(State of incorporation)** | **(IRS Employer Identification No.)** |
| **343 STATE STREET, ROCHESTER, NEW YORK** | **14650** |
| **(Address of principal executive offices)** | **(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 | Trading Symbol (s) | Name of each exchange on which registered |
|---|---|---|
| Common<br>Common stock, par value $0.01 per share | KODK | New York Stock Exchange |

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company.

See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company" and "emerging growth company in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☒ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 1, 2019, the registrant had 43,223,181 shares of common stock, par value $0.01 per share, outstanding.

**EASTMAN KODAK COMPANY**
**Form 10-Q**

**September 30, 2019**

**Table of Contents**

Part I. FINANCIAL INFORMATION

**Item 1. Financial Statements**

**EASTMAN KODAK COMPANY**
**CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**

(in millions, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | |
| Sales | $ 249 | $ 259 | $ 713 | $ 768 |
| Services | 66 | 70 | 200 | 211 |
| Total revenues | 315 | 329 | 913 | 979 |
| Cost of revenues | | | | |
| Sales | 216 | 232 | 639 | 700 |
| Services | 46 | 47 | 139 | 146 |
| Total cost of revenues | 262 | 279 | 778 | 846 |
| Gross profit | 53 | 50 | 135 | 133 |
| Selling, general and administrative expenses | 48 | 53 | 161 | 170 |
| Research and development costs | 11 | 12 | 33 | 37 |
| Restructuring costs and other | 3 | 9 | 7 | 13 |
| Other operating expense (income), net | 10 | (10) | 10 | (12) |
| Loss from continuing operations before interest expense, pension income excluding service cost component, other charges (income), net and income taxes | (19) | (14) | (76) | (75) |
| Interest expense | 4 | 2 | 12 | 6 |
| Pension income excluding service cost component | (26) | (35) | (79) | (99) |
| Other charges (income), net | 6 | (4) | 7 | 13 |
| (Loss) earnings from continuing operations before income taxes | (3) | 23 | (16) | 5 |
| Provision for income taxes | 7 | 3 | 12 | 7 |
| (Loss) earnings from continuing operations | (10) | 20 | (28) | (2) |
| Income (loss) from discontinued operations, net of income taxes | 5 | (1) | 206 | — |
| Net (loss) income | $ (5) | $ 19 | $ 178 | $ (2) |
| | | | | |
| Basic and diluted (loss) income per share attributable to Eastman Kodak Company common shareholders: | | | | |
| Continuing operations | $ (0.35) | $ 0.35 | $ (1.00) | $ (0.40) |
| Discontinued operations | 0.12 | (0.02) | 4.79 | — |
| Total | $ (0.23) | $ 0.33 | $ 3.79 | $ (0.40) |
| | | | | |
| Number of common shares used in basic and diluted net loss per share | | | | |
| Basic | 43.0 | 42.7 | 43.0 | 42.7 |
| Diluted | 43.0 | 43.0 | 43.0 | 42.7 |

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

**EASTMAN KODAK COMPANY**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (Unaudited)**

(in millions)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| NET INCOME (LOSS) | $ (5) | $ 19 | $ 178 | $ (2) |
| Other comprehensive income (loss), net of tax: | | | | |
| Currency translation adjustments | (2) | (12) | 2 | (19) |
| Pension and other postretirement benefit plan obligation activity, net of tax | (1) | 3 | (2) | 3 |
| Other comprehensive income (loss), net of tax | (3) | (9) | — | (16) |
| COMPREHENSIVE INCOME (LOSS), NET OF TAX | $ (8) | $ 10 | $ 178 | $ (18) |

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

**EASTMAN KODAK COMPANY**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)**

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 225 | $ 233 |
| Trade receivables, net of allowances of $8 and $9, respectively | 195 | 232 |
| Inventories, net | 242 | 231 |
| Other current assets | 57 | 47 |
| Current assets held for sale | 2 | 167 |
| Total current assets | 721 | 910 |
| Property, plant and equipment, net of accumulated depreciation of $419 and $395, respectively | 186 | 216 |
| Goodwill | 12 | 12 |
| Intangible assets, net | 53 | 58 |
| Operating lease right-of-use assets | 49 | — |
| Restricted cash | 36 | 11 |
| Deferred income taxes | 147 | 160 |
| Other long-term assets | 205 | 143 |
| **TOTAL ASSETS** | **$ 1,409** | **$ 1,510** |
| | | |
| **LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND EQUITY (DEFICIT)** | | |
| Accounts payable, trade | $ 140 | $ 130 |
| Short-term borrowings and current portion of long-term debt | 2 | 396 |
| Current portion of operating leases | 26 | — |
| Other current liabilities | 203 | 209 |
| Current liabilities held for sale | — | 43 |
| Total current liabilities | 371 | 778 |
| Long-term debt, net of current portion | 106 | 5 |
| Pension and other postretirement liabilities | 352 | 379 |
| Operating leases, net of current portion | 34 | — |
| Other long-term liabilities | 195 | 178 |
| Total liabilities | 1,058 | 1,340 |
| | | |
| Commitments and Contingencies (Note 10) | | |
| | | |
| Redeemable, convertible Series A preferred stock, no par value, $100 per share liquidation preference | 180 | 173 |
| | | |
| **Equity (Deficit)** | | |
| Common stock, $0.01 par value | — | — |
| Additional paid in capital | 608 | 617 |
| Treasury stock, at cost | (9) | (9) |
| Accumulated deficit | (17) | (200) |
| Accumulated other comprehensive loss | (411) | (411) |
| Total shareholders' equity (deficit) | 171 | (3) |
| **TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND EQUITY (DEFICIT)** | **$ 1,409** | **$ 1,510** |

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

**EASTMAN KODAK COMPANY**
**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

| (in millions) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net earnings (loss) | $ 178 | $ (2) |
| Adjustments to reconcile to net cash used in operating activities: | | |
| Depreciation and amortization | 43 | 58 |
| Pension income | (72) | (81) |
| Change in fair value of embedded derivatives in the Series A Preferred Stock and Convertible Notes | 3 | 2 |
| Net gain on sales of assets/businesses | (202) | (7) |
| Stock based compensation | 6 | 5 |
| Non-cash changes in workers' compensation and legal reserves | 2 | (10) |
| Provision for deferred income taxes | 6 | 6 |
| Decrease in trade receivables | 30 | 28 |
| Increase in inventories | (18) | (42) |
| Increase (decrease) in trade payables | 13 | (25) |
| Decrease in liabilities excluding borrowings and trade payables | (5) | (20) |
| Other items, net | 12 | 9 |
| Total adjustments | (182) | (77) |
| Net cash used in operating activities | (4) | (79) |
| Cash flows from investing activities: | | |
| Additions to properties | (11) | (24) |
| Net proceeds from sales of businesses/assets | 326 | 8 |
| Net cash provided by (used in) investing activities | 315 | (16) |
| Cash flows from financing activities: | | |
| Repayment of Term Credit Agreement | (395) | — |
| Proceeds from Convertible Notes | 98 | — |
| Proceeds from borrowings | 14 | — |
| Repayment of finance leases | (2) | (2) |
| Preferred stock dividend payments | — | (8) |
| Payment of contingent consideration related to the sale of a business | (10) | — |
| Net cash used in financing activities | (295) | (10) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (4) | (8) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 12 | (113) |
| Cash, cash equivalents, restricted cash and cash in assets held for sale, beginning of period | 267 | 369 |
| Cash, cash equivalents, restricted cash and cash in assets held for sale, end of period | $ 279 | $ 256 |

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

**EASTMAN KODAK COMPANY**
**CONSOLIDATED STATEMENT OF EQUITY (DEFICIT) (Unaudited)**

| | Nine-Month Period Ending September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Eastman Kodak Company Common Shareholders | | | | | | |
| | Common Stock | Additional Paid in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total | Series A Redeemable Convertible Preferred Stock |
| Equity (deficit) as of December 31, 2018 | $ — | $ 617 | $ (200) | $ (411) | $ (9) | $ (3) | $ 173 |
| Net loss | — | — | (18) | — | — | (18) | — |
| Other comprehensive loss (net of tax): | | | | | | | |
| Currency translation adjustments | — | — | — | 3 | — | 3 | — |
| Pension and other postretirement liability adjustments | — | — | — | (1) | — | (1) | — |
| Series A preferred stock cash dividends | — | (3) | — | — | — | (3) | — |
| Series A preferred stock deemed dividends | — | (2) | — | — | — | (2) | 2 |
| Stock-based compensation | — | 3 | — | — | — | 3 | — |
| Prior period adjustment due to adoption of ASU 2016-02 | — | — | 5 | — | — | 5 | — |
| Equity (deficit) as of March 31, 2019 | $ — | $ 615 | $ (213) | $ (409) | $ (9) | $ (16) | $ 175 |
| Net earnings | — | — | 201 | — | — | 201 | — |
| Other comprehensive loss (net of tax): | | | | | | | |
| Currency translation adjustments | — | — | — | 1 | — | 1 | — |
| Pension and other postretirement liability adjustments | — | — | — | — | — | — | — |
| Series A preferred stock cash dividends | — | (3) | — | — | — | (3) | — |
| Series A preferred stock deemed dividends | — | (2) | — | — | — | (2) | 2 |
| Stock-based compensation | — | 2 | — | — | — | 2 | — |
| Equity (deficit) as of June 30, 2019 | $ — | $ 612 | $ (12) | $ (408) | $ (9) | $ 183 | $ 177 |
| Net (loss) earnings | — | — | (5) | — | — | (5) | — |
| Other comprehensive loss (net of tax): | | | | | | | |
| Currency translation adjustments | — | — | — | (2) | — | (2) | — |
| Pension and other postretirement liability adjustments | — | — | — | (1) | — | (1) | — |
| Series A preferred stock cash dividends | — | (2) | — | — | — | (2) | — |
| Series A preferred stock deemed dividends | — | (3) | — | — | — | (3) | 3 |
| Stock-based compensation | — | 1 | — | — | — | 1 | — |
| Equity (deficit) as of September 30, 2018 | $ — | $ 608 | $ (17) | $ (411) | $ (9) | $ 171 | $ 180 |

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

| | Nine-Month Period Ending September 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Eastman Kodak Company Common Shareholders | | | | | | |
| | Common Stock | Additional Paid in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total | Series A Redeemable Convertible Preferred Stock |
| Equity (deficit) as of December 31, 2017 | $ — | $ 631 | $ (174) | $ (391) | $ (9) | $ 57 | $ 164 |
| Net loss | — | — | (25) | — | — | (25) | — |
| Other comprehensive loss (net of tax): | | | | | | | |
| Currency translation adjustments | — | — | — | 13 | — | 13 | — |
| Pension and other postretirement liability adjustments | — | — | — | — | — | — | — |
| Series A preferred stock cash dividends | — | (3) | — | — | — | (3) | — |
| Series A preferred stock deemed dividends | — | (2) | — | — | — | (2) | 2 |
| Stock-based compensation | — | 2 | — | — | — | 2 | — |
| Prior period adjustment due to adoption of ASU 2014-09 | — | — | (10) | — | — | (10) | — |
| Equity (deficit) as of March 31, 2018 | $ — | $ 628 | $ (209) | $ (378) | $ (9) | $ 32 | $ 166 |
| Net earnings | — | — | 4 | — | — | 4 | — |
| Other comprehensive loss (net of tax): | | | | | | | |
| Currency translation adjustments | — | — | — | (20) | — | (20) | — |
| Pension and other postretirement liability adjustments | — | — | — | — | — | — | — |
| Series A preferred stock cash dividends | — | (3) | — | — | — | (3) | — |
| Series A preferred stock deemed dividends | — | (2) | — | — | — | (2) | 2 |
| Stock-based compensation | — | 1 | — | — | — | 1 | — |
| Equity (deficit) as of June 30, 2018 | $ — | $ 624 | $ (205) | $ (398) | $ (9) | $ 12 | $ 168 |
| Net earnings | — | — | 19 | — | — | 19 | — |
| Other comprehensive loss (net of tax): | | | | | | | |
| Currency translation adjustments | — | — | — | (12) | — | (12) | — |
| Pension and other postretirement liability adjustments | — | — | — | 3 | — | 3 | — |
| Series A preferred stock cash dividends | — | (2) | — | — | — | (2) | — |
| Series A preferred stock deemed dividends | — | (3) | — | — | — | (3) | 3 |
| Stock-based compensation | — | 2 | — | — | — | 2 | — |
| Purchases of treasury stock | — | — | — | — | — | — | — |
| Equity (deficit) as of September 30, 2018 | $ — | $ 621 | $ (186) | $ (407) | $ (9) | $ 19 | $ 171 |

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

## NOTE 1: BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

### BASIS OF PRESENTATION

The consolidated interim financial statements are unaudited, and certain information and footnote disclosures related thereto normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited consolidated interim financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the results of operations, financial position and cash flows of Eastman Kodak Company ("EKC" or the "Company") and all companies directly or indirectly controlled, either through majority ownership or otherwise (collectively, "Kodak"). The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. These consolidated interim statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K").

### GOING CONCERN

The consolidated interim financial statements have been prepared on the going concern basis of accounting, which assumes Kodak will continue to operate as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

As of September 30, 2019 and December 31, 2018, Kodak had approximately $225 million and $233 million, respectively, of cash and cash equivalents. $84 million and $117 million was held in the U.S. as of September 30, 2019 and December 31, 2018, respectively, and $141 million and $116 million were held outside the U.S. Cash balances held outside the U.S. are generally required to support local country operations and may have high tax costs or other limitations that delay the ability to repatriate, and therefore may not be readily available for transfer to other jurisdictions. Outstanding inter-company loans to the U.S. as of September 30, 2019 and December 31, 2018 were $403 million and $390 million, respectively, which includes short-term intercompany loans from Kodak's international finance center of $105 million and $92 million as of September 30, 2019 and December 31, 2018, respectively. In China, where approximately $71 million and $59 million of cash and cash equivalents was held as of September 30, 2019 and December 31, 2018, respectively, there are limitations related to net asset balances that may impact the ability to make cash available to other jurisdictions in the world. Kodak had a net increase in cash, cash equivalents, restricted cash and cash in assets held for sale of $12 million for the nine months ended September 30, 2019 and a net decrease of $102 million the year ended December 31, 2018. Kodak used cash of $4 million and $79 million in operating activities for the nine months ended September 30, 2019 and 2018, respectively. The current year's cash used in operating activities includes the receipt of brand and functional intellectual property licensing proceeds allocated from the overall consideration received as part of the divestiture of the Packaging segment ($10 million) and the establishment of a strategic relationship with Lucky HuaGuang Graphics Co. Ltd ($13 million). Cash used in operating activities also includes the receipt of a $15 million prepayment for transition services and products and services to be provided by Kodak associated with the Packaging segment divestiture, $8 million of which has not yet been utilized.

U.S. GAAP requires an evaluation of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued. Initially, this evaluation does not consider the potential mitigating effect of management's plans that have not been fully implemented. When substantial doubt exists, management evaluates the mitigating effect of its plans if it is probable that (1) the plans will be effectively implemented within one year after the date the financial statements are issued, and (2) when implemented, the plans will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued or prior to the conditions or events that create the going concern risk.

Kodak is facing liquidity challenges due to operating losses and negative cash flow from operations. Kodak has eliminated current debt service requirements by paying down the Senior Secured First Lien Term Credit Agreement (the "Term Credit Agreement") using proceeds from the sale of Kodak's Flexographic Packaging business ("FPD") and refinancing the remaining balance through the issuance of convertible debt which does not require any debt service until conversion or maturity on November 1, 2021. However, Kodak has significant cash requirements to fund ongoing operations, restructuring programs, pension and other postretirement obligations, and other obligations. Kodak's plans to return to positive cash flow include growing revenues profitably, reducing operating expenses, simplifying the organizational structure, generating cash from selling and leasing underutilized assets and paring investment in new technology by eliminating or delaying product development programs. The current cash balance outside of China, recent trend of negative operating cash flow and lack of certainty regarding the return to positive cash flow raise substantial doubt about Kodak's ability to continue as a going concern.

### RECLASSIFICATIONS

Certain amounts for prior periods have been reclassified to conform to the current period classification due to Kodak's new organization structure as of January 2019 and due to assets held for sale reporting requirements.

In addition to the changes in segment reporting under the new organization structure there is a change in the segment measure of profitability. The segment measure of profitability was changed to exclude the costs, net of any rental income received, of underutilized portions of certain properties. Additionally, the allocation of costs from Eastman Business Park ("EBP") to the Brand, Film and Imaging segment and Advanced Materials and 3D Printing Technology segment as tenants of EBP and to each of the segments as users of shared corporate space at the global headquarters changed. Refer to Note 21, "Segment Information" for additional information.

**RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The ASU addresses certain stranded income tax effects in accumulated other comprehensive income (AOCI) resulting from the Tax Cuts and Jobs Act (the "2017 Tax Act"). The ASU provides an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the 2017 Tax Act (or portion thereof) is recorded and requires additional disclosures. The ASU is effective for fiscal years beginning after December 15, 2018 (January 1, 2019 for Kodak) and interim periods within those fiscal years. Kodak adopted the new standard on January 1, 2019. The adoption of this ASU did not have an impact on the Consolidated Financial Statements as a result of Kodak's U.S. valuation allowance.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Topic 842 (as amended by ASU's 2018-01, 10, 11 and 20 and ASU 2019-01) requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and eliminates certain real estate-specific provisions. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases and operating leases. The new leasing standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018 (January 1, 2019 for Kodak). The original guidance required application on a modified retrospective basis to the earliest period presented. ASU 2018-11, Targeted improvements to ASC 842, includes an option to not restate comparative periods in transition and elect to use the effective date of ASC 842 as the date of initial application of transition. Kodak adopted the new standard on the effective date applying the new transition method allowed under ASU 2018-11. Kodak elected the package of practical expedients which permitted Kodak to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any existing leases, and (3) any initial direct costs for any existing leases as of the effective date. Kodak did not elect the hindsight practical expedient which permits entities to use hindsight in determining the lease term and assessing impairment. The adoption of the amended lease guidance increased the assets and liabilities recorded in the Consolidated Statement of Financial Position due to the recognition of right-of-use assets and liabilities. Kodak recognized a cumulative-effect adjustment to increase retained earnings of approximately $5 million due to the derecognition of assets and deferred gain on previous sale-leaseback transactions. As a lessor, recognition of rental revenue remained mainly consistent with previous guidance, apart from the narrower definition of initial direct costs that can be capitalized.

The impact of adoption on the Consolidated Statement of Financial Position is presented below:

| ($ million) | Balance at December 31, 2018 | Adjustments Due to ASU 2016-02 | Balance at January 1, 2019 |
|---|---|---|---|
| Operating lease right-of-use assets | $ — | $ 52 | $ 52 |
| Operating lease liabilities | — | 61 | 61 |
| Deferred rent payable (1) | 9 | (9) | — |
| Deferred gain on previous sale leaseback transaction (1) | 6 | (6) | — |
| Net fixed assets from previous sale leaseback transaction | 1 | (1) | — |
| Accumulated deficit | 200 | (5) | 195 |

(1) Deferred amounts were previously reported in Other current liabilities ($1 million) and Other long-term liabilities ($14 million) in the Consolidated Statements of Financial Position.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606. This guidance amended Topic 808 and Topic 606 to clarify that transactions in a collaborative arrangement should be accounted for under Topic 606 when the counterparty is a customer for a distinct good or service (i.e., unit of account). The amendments preclude an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The new standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019 (January 1, 2020 for Kodak). Early adoption is permitted. The amendments should be applied retrospectively to the date of initial application of Topic 606. Kodak will adopt this ASU on January 1, 2020, and it is not anticipated to have any impact on Kodak's consolidated financial statements.

In September 2018, the FASB issued ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans, which amends the disclosure requirements in ASC 715-20 by adding, clarifying, or removing certain disclosures. ASU 2018-14 requires all entities to disclose (1) the weighted average interest crediting rates for cash balance plans and other plans with promised interest crediting rates, and (2) an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The ASU also clarifies certain disclosure requirements for entities with two or more defined benefit pension plans when aggregate disclosures are presented. The ASU removes other disclosures from the existing guidance, such as the requirement to disclose the effects of a one-percentage-point change in the assumed health care cost trend rates. The ASU is effective retrospectively for fiscal years ending after December 15, 2020 (the year ended December 31, 2020 for Kodak). Early adoption is permitted. The standard addresses disclosures only and will not have an impact on Kodak's consolidated financial statements.

In September 2018 the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which amends the disclosure requirements in ASC 820 by adding, changing, or removing certain disclosures. The ASU applies to disclosures about recurring or nonrecurring fair value measurements. The additional and/or modified disclosures relate primarily to Level 3 fair value measurements while removing certain disclosures related to transfers between Level 1 and Level 2 of the fair value hierarchy. The ASU is effective retrospectively, for fiscal years beginning after December 15, 2019 (January 1, 2020 for Kodak) and interim periods within those fiscal years. Entities are permitted to early adopt any removed or modified disclosures but can delay adoption of the new disclosures until their effective date. Kodak retrospectively early adopted the provisions of the ASU that removed or modified disclosures in the fourth quarter of 2018 and expects to prospectively adopt the provisions related to new disclosures January 1, 2020. The standard addresses disclosures only and will not have an impact on Kodak's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which addresses how a customer should account for the costs of implementing a cloud computing service arrangement (also referred to as a "hosting arrangement"). Under ASU 2018-15, entities should account for costs associated with implementing a cloud computing arrangement that is considered a service contract in the same way as implementation costs associated with a software license; implementation costs incurred in the application development stage, such as costs for the cloud computing arrangement's integration with on-premise software, coding, and configuration or customization, should be capitalized and amortized over the term of the cloud computing arrangement, including periods covered by certain renewal options. The ASU is effective in fiscal years beginning after December 15, 2019 (January 1, 2020 for Kodak) including interim periods within those fiscal years. Early adoption is permitted. The ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Kodak will adopt this ASU prospectively on January 1, 2020, and it is not anticipated to have a material impact on Kodak's consolidate financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 (as amended by ASU 2018-19 and ASU's 2019-04 and 05) requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. In addition, the ASU requires credit losses relating to available-for-sale debt securities to be recorded through an allowance for credit losses. The amendments in this ASU broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. In October, the FASB directed its staff to draft an ASU to defer the effective date of the standard for smaller reporting companies until fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, (January 1, 2023 for Kodak) (effective date for all SEC filers, including smaller reporting companies, was originally December 15, 2019). Early adoption is permitted. Kodak is currently evaluating the impact of this ASU.

**NOTE 2: CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Statement of Financial Position that sums to the total of such amounts shown in the Statement of Cash Flows:

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | $ 225 | $ 233 |
| Restricted cash included in Other current assets | 18 | 8 |
| Long-term restricted cash | 36 | 11 |
| Cash included in assets held for sale | — | 15 |
| Total cash, cash equivalents and restricted cash shown in the Statement of Cash Flows | $ 279 | $ 267 |

Restricted cash included in Other current assets on the Statement of Financial Position primarily includes collateral for a guaranty provided to MIR Bidco, SA (the "Purchaser") and collateral in support of hedging activities. On April 16, 2019 the Purchaser of FPD paid Kodak $15 million in the U.S. as a prepayment for transition services and products and services to be provided by Kodak to the Purchaser. Kodak provided a $15 million guaranty, supported by cash collateral in China, to the Purchaser. The Purchaser has the option to satisfy its payment obligations to Kodak through a reduction of the prepayment balance or in cash. When the Purchaser satisfies its payment obligations to Kodak by utilizing its prepayment balance, Kodak can follow a guaranty amendment process to reduce the amount of its guaranty and cash collateral supporting the prepayment balance. As of September 30, 2019, the remaining prepayment balance is $8 million and the cash collateral supporting Kodak's guaranty is $10 million.

Long-term restricted cash includes $14 million and $3 million as of September 30, 2019 and December 31, 2018, respectively, supporting compliance with the Excess Availability threshold under the ABL Credit Agreement, as defined in Note 7, "Debt and Leases". In addition, Kodak established an escrow of $14 million in China to secure various ongoing obligations under the agreements for the strategic relationship with Lucky HuaGuang Graphics Co. Ltd. Refer to Note 23 "Assets Held For Sale". Long-term restricted cash also includes $4 million and $5 million of security posted related to Brazilian legal contingencies as of September 30, 2019 and December 31, 2018, respectively.

**NOTE 3: INVENTORIES, NET**

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Finished goods | $ 124 | $ 119 |
| Work in process | 58 | 54 |
| Raw materials | 60 | 58 |
| Total | $ 242 | $ 231 |

**NOTE 4: OTHER LONG-TERM ASSETS**

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Pension assets | $ 147 | $ 82 |
| Estimated workers' compensation recoveries | 17 | 17 |
| Long-term receivables, net of reserve of $4 and $4, respectively | 11 | 13 |
| Other | 30 | 31 |
| Total | $ 205 | $ 143 |

**NOTE 5: OTHER CURRENT LIABILITIES**

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Employee related liabilities | $ 44 | $ 41 |
| Deferred revenue | 32 | 34 |
| Customer rebates | 21 | 26 |
| Deferred consideration on disposed businesses | 14 | 24 |
| Transition services agreement prepayment | 8 | — |
| Series A Preferred Stock dividends payable | 14 | 6 |
| Workers compensation | 9 | 9 |
| Restructuring liabilities | 7 | 8 |
| Other | 54 | 61 |
| Total | $ 203 | $ 209 |

The customer rebate amounts will potentially be settled through customer deductions applied to outstanding trade receivables in lieu of cash payments.

**NOTE 6: OTHER LONG-TERM LIABILITIES**

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Workers compensation | $ 84 | $ 83 |
| Asset retirement obligations | 46 | 48 |
| Deferred brand licensing revenue | 18 | 6 |
| Convertible debt embedded derivative liability | 18 | — |
| Deferred taxes | 12 | 14 |
| Environmental liabilities | 10 | 10 |
| Other (1) | 7 | 17 |
| Total | $ 195 | $ 178 |

(1) Other decreased $14 million due to the adoption of ASU 2016-02. Also see the Recently Adopted Accounting Pronouncements subsection of Note 1, “Basis of Presentation and Recent Accounting Pronouncements”.

## NOTE 7: DEBT AND FINANCE LEASES

Debt and finance leases and related maturities and interest rates were as follows at September 30, 2019 and December 31, 2018:

| (in millions) | Type | Maturity | Weighted-Average Effective Interest Rate | September 30, 2019 | December 31, 2018 |
|---|---|---|---|---|---|
| Current portion: | | | | | |
| | Term note | 2019 | | $ — | $ 394 |
| | RED-Rochester, LLC | 2033 | 11.46% | 1 | — |
| | Finance leases | Various | Various | 1 | 2 |
| | | | | 2 | 396 |
| Non-current portion: | | | | | |
| | Convertible debt | 2021 | 11.72% | 88 | — |
| | RED-Rochester, LLC | 2033 | 11.46% | 13 | — |
| | Finance leases | Various | Various | 3 | 3 |
| | Other debt | Various | Various | 2 | 2 |
| | | | | 106 | 5 |
| | | | | $ 108 | $ 401 |

Annual maturities of debt and finance leases outstanding as of September 30, 2019 were as follows (in millions):

| | Carrying Value | Maturity Value |
|---|---|---|
| Q4 2019 | $ 2 | $ 2 |
| 2020 | 1 | 1 |
| 2021 | 88 | 113 |
| 2022 | 2 | 2 |
| 2023 | 1 | 1 |
| 2024 and thereafter | 14 | 14 |
| Total | $ 108 | $ 133 |

On April 12, 2019, the Company repaid approximately $312 million of the loans made under the Term Credit Agreement using proceeds from the sale of FPD and on May 24, 2019 repaid the remaining outstanding balance of approximately $83 million with the proceeds from the issuance of Convertible Notes described below.

***Convertible Notes***

On May 20, 2019, the Company and Longleaf Partners Small Cap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust, which are investment funds managed by Southeastern Asset Management, Inc. (the "Notes Purchasers"), entered into a Notes Purchase Agreement (the "Purchase Agreement") pursuant to which the Company agreed to issue and sell to the Notes Purchasers, and the Notes Purchasers agreed to purchase from the Company, $100 million aggregate principal amount of the Company's 5.00% Secured Convertible Notes due 2021 (the "Convertible Notes"). The transaction closed on May 24, 2019. The proceeds were used to repay the remaining first lien term loans outstanding ($83 million) under the Term Credit Agreement, which was terminated with the repayment. The remaining proceeds were used for general corporate purposes. The Notes Purchasers also hold all outstanding shares of the Company's 5.50% Series A Convertible Preferred Stock (the "Series A Preferred Stock"), which vote with the shares of common stock on an as-converted basis, and are holders of shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), as described below.

The Convertible Notes bear interest at a rate of 5.00% per annum, which will be payable in cash on their maturity date and, at the option of the Company, in either cash or additional shares of Common Stock on any conversion date. The payment of interest only at the maturity date has the same effect as delivering additional debt instruments to the Holders of the Convertible Notes and therefore is considered Paid-In-Kind interest ("PIK"). Therefore, PIK will be added to the carrying value of the debt through the term and interest expense will be recorded using the effective interest method.

The maturity date of the Convertible Notes is initially November 1, 2021. The Company has the option to extend the maturity of the Convertible Notes by up to three years in the event that the Series A Preferred Stock is refinanced with debt or equity or the mandatory redemption date of the Series A Preferred Stock is extended. If the Convertible Notes maturity date is extended, the new maturity date must be no later than 30 days before the maturity date of any new debt or the extended mandatory redemption date of the Series A Preferred Stock.

The Convertible Notes are guaranteed by all of the subsidiaries of the Company that currently guarantee the ABL Credit Agreement (the "Subsidiary Guarantors"), and are secured by a second priority lien on certain receivables, inventory and other assets of the Company and the Subsidiary Guarantors in which the lenders under the ABL Credit Agreement have a first priority security interest.

**Conversion Features**
Holders of the Convertible Notes have the right to elect at any time to convert their Convertible Notes into shares of Common Stock at a conversion rate equal to 314.9785 shares of Common Stock per each $1,000 principal amount of Convertible Notes (based on a conversion price equal to $3.17482 per share of Common Stock (the "Conversion Price"), which represents a 10% premium to the volume weighted average price of the shares of Common Stock for the five day trading period ended on April 9, 2019 (the "Conversion Rate")). The Conversion Rate and Conversion Price are subject to certain customary antidilution adjustments.

If the closing price of the Common Stock equals or exceeds 150% of the then-effective Conversion Price for 45 trading days within any period of 60 consecutive trading days, with the last trading day of such 60 day period ending on the trading day immediately preceding the business day on which the Company issues a press release announcing the mandatory conversion, the Company may elect to convert all outstanding Convertible Notes into shares of Common Stock at the Conversion Rate then in effect.

In the event of certain fundamental transactions, the Notes Purchasers will have the right, within a period of 30 days following the occurrence of such transaction ("Holder Fundamental Transaction Election Period"), to elect to either convert all or a portion of the Convertible Notes into shares of Common Stock at the Conversion Rate then in effect, or to receive the shares of a successor entity, if any, or the Company, and any additional consideration receivable as a result of such fundamental transaction. In addition, the Company will have the option, for a period of 30 days after the expiration of the Holder Fundamental Transaction Election Period, to repay all of the remaining outstanding Convertible Notes at par, plus accrued and unpaid interest.

**Embedded Derivatives**
The Convertible Notes are considered more akin to a debt-type instrument and the economic characteristics and risks of the embedded conversion features and term extension at the Company's option were not considered clearly and closely related to the Convertible Notes. Accordingly, these embedded features were bifurcated from the Convertible Notes and separately accounted for on a combined basis at fair value as a single derivative liability. Kodak allocated $14 million of the net proceeds received to a derivative liability based on the aggregate fair value of the embedded features and term extension on the date of issuance which reduced the net carrying value of the Convertible Notes (refer to Note 24, "Financial Instruments").

The carrying value of the Convertible Notes at the time of issuance, $84 million ($100 million aggregate gross proceeds less $14 million allocated to the derivative liability and $2 million in transaction costs), is being accreted to the face amount using the effective interest method from the date of issuance through the maturity date.

**Convertible Notes Registration Rights Agreement**
At the closing of the issuance and sale of the Convertible Notes, the Company entered into a registration rights agreement which provides the Notes Purchasers with customary registration rights in respect of the shares of the Common Stock issuable upon conversion of the Convertible Notes.

**Notes Purchasers' Beneficial Ownership of Common Stock**
Prior to the issuance of the Convertible Notes, the Notes Purchasers beneficially owned 4,960,000 shares of the Company's Common Stock, representing 11.51% of the shares of Common Stock outstanding as of September 30, 2019, and 2,000,000 shares of Series A Preferred Stock, which vote with the Common Stock on an as-converted basis representing 26.68% of the shares of Common Stock outstanding as of September 30, 2019. The Common Stock and Series A Preferred Stock held by the Notes Purchasers represented 30.15% of the voting power of the outstanding capital stock of the Company as of September 30, 2019 giving effect to the conversion of the Series A Preferred Stock. On an as-converted basis, the Convertible Notes would represent 31,497,850 shares of Common Stock, or 42.24% of the shares of Common Stock outstanding as of September 30, 2019 after giving effect to the issuance and conversion. Assuming the issuance of the Convertible Notes and based on the number of shares of Common Stock outstanding as of September 30, 2019, the Notes Purchasers would beneficially own 48.89% of the shares of Common Stock outstanding and their shares of Series A Preferred Stock will vote with the shares of Common Stock on an as-converted basis, representing an aggregate of 55.71% of the voting power of the outstanding capital stock of the Company.

***Amended and Restated Credit Agreement***
On May 26, 2016, the Company and the Subsidiary Guarantors entered into an Amended and Restated Credit Agreement (the “ABL Credit Agreement”) with the lenders party thereto (the “Lenders”), Bank of America, N.A., as administrative and collateral agent, and Bank of America, N.A. and JPMorgan Chase Bank, N.A., as joint lead arrangers and joint bookrunners, which amended and restated the Original ABL Credit Agreement. Each of the capitalized but undefined terms used in the context of describing the ABL Credit Agreement has the meaning ascribed to such term in the ABL Credit Agreement.

The Lenders will make available asset-based revolving loans (the “ABL Loans”) and letters of credit in an aggregate amount of up to $150 million, subject to the Borrowing Base. The Company has issued approximately $80 million and $85 million of letters of credit under the ABL Credit Agreement as of September 30, 2019 and December 31, 2018, respectively.

The ABL Loans bear interest at the rate of LIBOR plus 2.25% - 2.75% per annum or Base Rate plus 1.25% - 1.75% per annum based on Excess Availability.

The ABL Credit Agreement matures on May 26, 2021.

Each existing direct or indirect U.S. subsidiary of the Company (other than Immaterial Subsidiaries, Unrestricted Subsidiaries and certain other subsidiaries) has provided an unconditional guarantee (and any such future subsidiaries must provide an unconditional guarantee) of the obligations of the Company under the ABL Credit Agreement.

The Company had approximately $20 million and $19 million of Excess Availability under the ABL Credit Agreement as of September 30, 2019 and December 31, 2018, respectively. Excess Availability is equal to the sum of (i) 85% of the amount of the Eligible Receivables less a Dilution Reserve, (ii) the lesser of 85% of Net Orderly Liquidation Value or 75% of the Eligible Inventory, (iii) the lesser of 75% of Orderly Liquidation Value of Eligible Equipment or $8 million, as of September 30, 2019 (which $8 million decreases by $1 million per quarter) and (iv) Eligible Cash less (a) Rent and Charges Reserves, (b) Principal Outstanding and (c) Outstanding Letters of Credit. Availability is subject to the borrowing base calculation, reserves and other limitations.

Under the ABL Credit Agreement, Kodak is required to maintain a minimum Fixed Charge Coverage Ratio of 1.00 to 1.00 when Excess Availability is less than 12.5% of lender commitments. As of September 30, 2019 and December 31, 2018, 12.5% of lender commitments were $18.75 million.

If Excess Availability falls below 12.5% of lender commitments, Kodak may, in addition to the requirement to be in compliance with the minimum Fixed Charge Coverage Ratio, become subject to cash dominion control. Since Excess Availability was greater than 12.5% of lender commitments at September 30, 2019 and December 31, 2018, Kodak is not required to have a minimum Fixed Charges Coverage Ratio of 1.0 to 1.0.

As of September 30, 2019, and December 31, 2018, Kodak had funded $14 million and $3 million respectively, to the Eligible Cash account, held with the ABL Credit Agreement Administrative Agent, which is classified as Restricted Cash in the Consolidated Statement of Financial Position.

Under the terms of the ABL Credit Agreement, the Company may designate Restricted Subsidiaries as Unrestricted Subsidiaries provided the aggregate sales of all Unrestricted Subsidiaries are less than 7.5% of the consolidated sales of Kodak and the aggregate assets of all Unrestricted Subsidiaries are less than 7.5% of Kodak’s consolidated assets. Further, on a pro forma basis at the time of designation and immediately after giving effect thereto, Excess Availability must be at least $30 million and the pro forma Fixed Charge Coverage Ratio must be no less than 1.0 to 1.0. Upon designation of Unrestricted Subsidiaries, the Company is required to provide to the Lenders reconciling statements to eliminate all financial information pertaining to Unrestricted Subsidiaries which is included in its annual and quarterly financial statements.

In March 2018, the Company designated five subsidiaries as Unrestricted Subsidiaries: Kodak PE Tech, LLC, Kodak LB Tech, LLC, Kodak Realty, Inc., Kodakit Singapore Pte. Limited and KP Services (Jersey) Ltd. This action allowed the Company to better position assets which may be monetized in the future and address costs related to underutilized properties. Collectively, these subsidiaries had sales of approximately $2 million and $9 million for the quarter and nine months ended September 30, 2019, respectively, which represents 1% of Kodak’s consolidated sales in both periods. These subsidiaries had sales of approximately $3 million and $8 million for the quarter and nine months ended September 30, 2018, respectively, which represents 1% of Kodak’s consolidated sales for both periods. These subsidiaries had assets of $20 million and $21 million as of September 30, 2019 and December 31, 2018, respectively, which represents 1% of Kodak’s consolidated assets as of both periods.

***Debt Reporting and Other Requirements***
Reporting requirements under the ABL Credit Agreement require the Company to provide annual audited financial statements accompanied by an opinion of an independent public accountant without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit or other material qualification or exception, except for any such qualification or exception with respect to any indebtedness maturing within 364 days after the date of such financial statements, and that the opinion be reasonably acceptable to the agent. On March 31, 2019 the Company obtained a waiver from the agent and lenders under the ABL Credit Agreement with respect to any event of default under the reporting covenant that may be deemed to have occurred in relation to the going concern explanatory paragraph in the 2018 Form 10-K audit report.

The Convertible Notes and ABL Credit Agreement limit, among other things, the Company's and the Subsidiary Guarantors' ability to (i) incur indebtedness, (ii) incur or create liens, (iii) dispose of assets, (iv) make restricted payments (including dividend payments, et al.) and (v) make investments (ABL Credit Agreement only). In addition to other customary affirmative covenants, the Convertible Notes and ABL Credit Agreement provide for a periodic delivery by the Company of its various financial statements as set forth in the Convertible Notes and ABL Credit Agreement. Events of default under the Convertible Notes and/or ABL Credit Agreement include, among others, failure to pay any principal, interest or other amount due under the applicable agreement, failure to deliver conversion shares (Convertible Notes only), breach of specific covenants and a change of control of the Company (ABL Credit Agreement only). Upon an event of default, the applicable lenders may declare the outstanding obligations under the applicable agreement to be immediately due and payable and exercise other rights and remedies provided for in such agreement.

***RED-Rochester, LLC***
In January 2019 Kodak entered into a series of agreements with RED-Rochester, LLC ("RED"), which provides utilities to the Eastman Business Park. Kodak received a payment of $14 million from RED. Kodak is required to pay a minimum annual payment to RED of approximately $2 million regardless of utility usage. Kodak is accounting for the $14 million payment from RED as debt. The minimum payments required under the agreement from Kodak to RED will be reported as a reduction of the debt and interest expense using the effective interest method. The debt payments to RED continue until August 2033.

## NOTE 8: REDEEMABLE, CONVERTIBLE SERIES A PREFERRED STOCK

On November 15, 2016, the Company issued 2,000,000 shares of 5.50% Series A Convertible Preferred Stock, no par value per share (the "Series A Preferred Stock"), for an aggregate purchase price of $200 million, or $100 per share pursuant to a Series A Preferred Stock Purchase Agreement with Southeastern Asset Management, Inc. ("Southeastern") and Longleaf Partners Small-Cap Fund, C2W Partners Master Fund Limited and Deseret Mutual Pension Trust, which are investment funds managed by Southeastern (such investment funds, collectively, the "Purchasers"), dated November 7, 2016. The Company has classified the Series A Preferred Stock as temporary equity in the Consolidated Statement of Financial Position.

Kodak allocated $43 million of the net proceeds received to a derivative liability based on the aggregate fair value of the embedded conversion features on the date of issuance which reduced the net carrying value of the Series A Preferred Stock (see Note 23, "Financial Instruments"). The carrying value of the Series A Preferred Stock at the time of issuance, $155 million ($200 million aggregate gross proceeds less $43 million allocated to the derivative liability and $2 million in transaction costs), is being accreted to the mandatory redemption amount using the effective interest method to Additional paid in capital in the Consolidated Statement of Financial Position as a deemed dividend from the date of issuance through the mandatory redemption date, November 15, 2021.

The holders of Series A Preferred Stock are entitled to cumulative dividends payable quarterly in cash at a rate of 5.50% per annum. Until the third quarter of 2018 all dividends owed on the Series A Preferred Stock were declared and paid when due. No quarterly dividend was declared in the third or fourth quarters of 2018 or the first and second quarters of 2019. The Company declared a quarterly cash dividend in the third quarter of 2019 which was paid in October 2019.

The Purchasers have the right to nominate members to the Company's board of directors proportional to their ownership on an as converted basis, which initially allowed the Purchasers to nominate two members to the board. If dividends on any Series A Preferred Stock are in arrears for six or more consecutive or non-consecutive dividend periods, the holders of Series A Preferred Stock, voting with holders of all other preferred stock of the Company whose voting rights are then exercisable, will be entitled to vote for the election of two additional directors in the next annual meeting and all subsequent meetings until all accumulated dividends on such Series A Preferred Stock and other voting preferred stock have been paid or set aside. The nomination right of the Purchasers will be reduced by two nominees at any time the holders of Series A Preferred Stock have the right to elect, or participate in the election of, two additional directors. Two of the directors on the Company's current board of directors were nominated by the Purchasers.

As of September 30, 2019, the Series A Preferred Stock has not been converted and none of the anti-dilution provisions have been triggered. Any shares of Series A Preferred Stock not converted prior to the fifth anniversary of the initial issuance of the Series A Preferred Stock are required to be redeemed at $100 per share plus the amount of accrued and unpaid dividends.

## NOTE 9: LEASES

***Kodak as lessee***
Kodak determines if an arrangement is a lease at inception. Kodak's operating lease agreements are primarily for real estate space and vehicles and are included within operating lease right-of-use ("ROU") assets and operating lease liabilities on the Consolidated Statement of Financial Position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Variable lease payments are excluded from the measurement of ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term. Many of the leases include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments if reasonably assured to be exercised.

Kodak does not separate lease and non-lease components of contracts for real estate leases. When available, the rate implicit in the lease is used to discount lease payments to present value; however, many leases do not provide a readily determinable implicit rate. Therefore, Kodak applies its incremental borrowing rate to discount the lease payments at lease commencement.

The table below presents the lease-related assets and liabilities on the balance sheet:

| (in millions) | Classification in the Consolidated Statement of Financial Position | September 30, 2019 |
|---|---|---|
| **Assets** | | |
| Operating lease assets | Operating lease right-of-use assets | $ 49 |
| Finance lease assets | Property, plant and equipment, net | 5 |
| Total lease assets | | $ 54 |
| | | |
| **Liabilities** | | |
| Current | | |
| Operating | Current portion of operating leases | $ 26 |
| Finance | Short-term borrowings and current portion of long-term debt | 1 |
| Noncurrent | | |
| Operating | Operating leases, net of current portion | 34 |
| Finance | Long-term debt, net of current portion | 3 |
| Total lease liabilities | | $ 64 |
| | | |
| Weighted-average remaining lease term | | |
| Operating | | 6 years |
| Finance (1) | | 319 years |
| Weighted-average discount rate | | |
| Operating (2) | | 16.50% |
| Finance | | 6.75% |

(1) One finance lease has a remaining term of 968 years. The weighted-average lease term excluding the lease with a remaining term of 968 years is 4 years.

(2) Upon adoption of ASC 842, Kodak's incremental borrowing rate used for existing operating leases was established at January 1, 2019.

**Lease Costs**

The table below presents certain information related to the lease costs for finance and operating leases. Lease costs are presented gross of sublease income. See "Kodak as Lessor" section below for income from subleases.

| (in millions) | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Finance lease cost | | |
| Amortization of leased assets | $ 1 | $ 3 |
| Interest on lease liabilities | — | — |
| Operating lease cost | 6 | 19 |
| Variable lease cost | 2 | 5 |
| Total lease cost | $ 9 | $ 27 |

**Other Information**
The table below presents supplemental cash flow information related to leases.

| (in millions) | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows for operating leases | $ 6 | $ 19 |
| Operating cash flow for finance leases | — | — |
| Financing cash flow for finance leases | 1 | 2 |
| | $ 7 | $ 21 |

**Undiscounted Cash Flows**
The table below reconciles the undiscounted cash flows for the next five years and thereafter to the finance lease liabilities and operating lease liabilities recorded on the balance sheet.

| (in millions) | Operating Leases | Finance Leases |
|---|---|---|
| Q4 2019 | $ 6 | $ — |
| 2020 | 27 | 1 |
| 2021 | 11 | 1 |
| 2022 | 8 | 1 |
| 2023 | 7 | — |
| Thereafter | 34 | 110 |
| Total minimum lease payments | 93 | 113 |
| Less: amount of lease payments representing interest | 33 | (110) |
| Present value of future minimum lease payments | 60 | 3 |
| Less: current obligations under leases | (26) | — |
| Long-term lease obligations | $ 34 | $ 3 |

Future minimum contractual lease payments for operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2018 were as follows:

| (in millions) | At December 31, 2018 |
|---|---|
| 2019 | $ 20 |
| 2020 | 21 |
| 2021 | 13 |
| 2022 | 3 |
| 2023 | 3 |
| Thereafter | 7 |
| | $ 67 |

***Kodak as Lessor***
Kodak places its own equipment at customer sites under sales-type and operating lease arrangements. Arrangements classified as sales-type leases with revenue recognition at inception generally transfer title to the equipment by the end of the lease term or have a lease term that is for a major part of the remaining economic life of the equipment; and collectability is considered probable. If the arrangement meets the criteria for a sales-type lease but collectability is not considered probable, Kodak will not derecognize the asset and will record all payments received as a liability until the earlier of collectability becoming probable or the lease is terminated. Contracts with customers may include multiple performance obligations including equipment, optional software licenses and service agreements. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Kodak has no direct financing leases.

The Eastman Business Park segment's core operations are to lease real estate. Kodak also leases underutilized portions of other real estate properties to third parties under both operating lease and sublease agreements. Payments received under operating lease agreements as part of the Eastman Business Park segment are reported in Revenues in the Consolidated Statement of Operations. Payments received under lease agreements for underutilized space are reported as cost reductions in Cost of revenues, SG&A expenses, R&D costs and Other charges, net. The lease arrangements are for various periods and are generally renewable.

Renewal options and/or termination options are factored into the determination of lease payments if considered probable. Kodak does not separate lease and non-lease components of contracts for real estate leases. The lease and non-lease components of real estate leases are accounted for as lease costs per ASU 2016-02, Leases (Topic 842).

Kodak's net investment in sales-type leases as of September 30, 2019 and December 31, 2018 were $4 million and $3 million, respectively. The current portion of the net investment in sales-type leases is included in Trade receivables in the Consolidated Statement of Financial Position. The portion of the net investment in sales-type leases due after one year is included in Other long-term assets.

The table below reconciles the undiscounted cash flows to be received for the next five years and thereafter to the net investment in sales-type leases recorded on the balance sheet:

| (in millions) | | |
|---|---|---|
| Q4 2019 | $ | 1 |
| 2020 | | 2 |
| 2021 | | 1 |
| 2022 and thereafter | | 1 |
| Total minimum lease payments | | 5 |
| Less: unearned interest | | (1) |
| Less: allowance for doubtful accounts | | — |
| Net investment in sales-type leases | $ | 4 |

Undiscounted cash flows to be received for the next five years and thereafter for operating leases and subleases are:

| (in millions) | | |
|---|---|---|
| Q4 2019 | $ | 4 |
| 2020 | | 9 |
| 2021 | | 7 |
| 2022 | | 6 |
| 2023 | | 4 |
| Thereafter | | 17 |
| Total minimum lease payments | $ | 47 |

Equipment subject to operating leases and the related accumulated depreciation were as follows:

| (in millions) | | **September 30, 2019** | | **December 31, 2018** |
|---|---|---|---|---|
| Equipment subject to operating leases | $ | 33 | $ | 34 |
| Accumulated depreciation | | (22) | | (19) |
| Equipment subject to operating leases, net | $ | 11 | $ | 15 |

Equipment subject to operating leases, net is included in Property, plant and equipment, net in the Consolidated Statement of Financial Position.

Income recognized on operating lease arrangements for the quarter and nine months ended September 30, 2019 is presented below (income recognized for sales-type lease arrangements is $0 million):

| (in millions) | | **Three Months Ended September 30, 2019** | | **Nine Months Ended September 30, 2019** |
|---|---|---|---|---|
| Lease income - operating leases: | | | | |
| Lease income | $ | 3 | $ | 7 |
| Sublease income | | 1 | | 5 |
| Variable lease income | | 1 | | 3 |
| Total lease income | $ | 5 | $ | 15 |

## NOTE 10: COMMITMENTS AND CONTINGENCIES

As of September 30, 2019, the Company had outstanding letters of credit of $80 million issued under the ABL Credit Agreement, as well as bank guarantees and letters of credit of $13 million, surety bonds in the amount of $40 million, and restricted cash and deposits of $54 million, primarily to ensure the payment of possible casualty and workers' compensation claims, environmental liabilities, legal contingencies and rental payments and to support various customs, tax and trade activities. The restricted cash and deposits are reflected in Restricted cash, Other current assets and Other long-term assets in the Consolidated Statement of Financial Position.

Kodak's Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes in various stages of litigation, as well as civil litigation and disputes associated with former employees and contract labor. The tax matters, which comprise the majority of the litigation matters, are primarily related to federal and state value-added taxes. Kodak's Brazilian operations are disputing these matters and intend to vigorously defend its position. Kodak routinely assesses all these matters as to the probability of ultimately incurring a liability in its Brazilian operations and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of September 30, 2019, the unreserved portion of these contingencies, inclusive of any related interest and penalties, for which there was at least a reasonable possibility that a loss may be incurred, amounted to approximately $8 million.

In connection with assessments in Brazil, local regulations may require Kodak's Brazilian operations to post security for a portion of the amounts in dispute. As of September 30, 2019, Kodak's Brazilian operations have posted security composed of $4 million of pledged cash reported within Restricted cash in the Consolidated Statement of Financial Position and liens on certain Brazilian assets with a net book value of approximately $55 million. Generally, any encumbrances on the Brazilian assets would be removed to the extent the matter is resolved in Kodak's favor.

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

## NOTE 11: GUARANTEES

In connection with the settlement of certain of the Company's historical environmental liabilities at Eastman Business Park, in the event the historical liabilities exceed $99 million, the Company will become liable for 50% of the portion above $99 million with no limitation to the maximum potential future payments. There is no liability recorded for this guarantee.

***Extended Warranty Arrangements***

Kodak offers its customers extended warranty arrangements that are generally one year, but may range from three months to six years after the original warranty period. The change in Kodak's deferred revenue balance in relation to these extended warranty and maintenance arrangements from December 31, 2018 to September 30, 2019, which is reflected in Other current liabilities in the accompanying Consolidated Statement of Financial Position, was as follows:

| (in millions) | | |
|---|---|---|
| Deferred revenue on extended warranties as of December 31, 2018 | $ | 22 |
| New extended warranty and maintenance arrangements in 2019 | | 73 |
| Recognition of extended warranty and maintenance arrangement revenue in 2019 | | (75) |
| Deferred revenue on extended warranties as of September 30, 2019 | $ | 20 |

**NOTE 12: REVENUE**

***Disaggregation of Revenue***

The following tables present revenue disaggregated by major product, portfolio summary and geography.

| | Three Months Ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | **Print Systems** | **Enterprise Inkjet Systems** | **Kodak Software** | **Brand, Film and Imaging** | **Advanced Materials and 3D Printing Technology** | **Eastman Business Park** | **Total** |
| Plates, inks and other consumables | $ 149 | $ 8 | $ — | $ 3 | $ — | $ — | $ 160 |
| Ongoing service arrangements (1) | 33 | 18 | 11 | 1 | — | — | 63 |
| Total Annuities | 182 | 26 | 11 | 4 | — | — | 223 |
| Equipment & Software | 18 | 3 | 3 | — | — | — | 24 |
| Film and chemicals | — | — | — | 45 | — | — | 45 |
| Other (2) | 13 | — | — | 7 | 1 | 2 | 23 |
| Total | $ 213 | $ 29 | $ 14 | $ 56 | $ 1 | $ 2 | $ 315 |

| | Nine Months Ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | **Print Systems** | **Enterprise Inkjet Systems** | **Kodak Software** | **Brand, Film and Imaging** | **Advanced Materials and 3D Printing Technology** | **Eastman Business Park** | **Total** |
| Plates, inks and other consumables | $ 457 | $ 25 | $ — | $ 9 | $ — | $ — | $ 491 |
| Ongoing service arrangements (1) | 97 | 55 | 33 | 3 | — | — | 188 |
| Total Annuities | 554 | 80 | 33 | 12 | — | — | 679 |
| Equipment & Software | 45 | 10 | 9 | — | — | — | 64 |
| Film and chemicals | — | — | — | 125 | — | — | 125 |
| Other (2) | 13 | — | — | 22 | 3 | 7 | 45 |
| Total | $ 612 | $ 90 | $ 42 | $ 159 | $ 3 | $ 7 | $ 913 |

| (in millions) | Three Months Ended September 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Print Systems** | **Enterprise Inkjet Systems** | **Kodak Software** | **Brand, Film and Imaging** | **Advanced Materials and 3D Printing Technology** | **Eastman Business Park** | **Total** |
| Plates, inks and other consumables | $ 166 | $ 8 | $ — | $ 4 | $ — | $ — | $ 178 |
| Ongoing service arrangements (1) | 33 | 20 | 12 | 1 | — | — | 66 |
| Total Annuities | 199 | 28 | 12 | 5 | — | — | 244 |
| Equipment & Software | 18 | 11 | 3 | — | — | — | 32 |
| Film and chemicals | — | — | — | 41 | — | — | 41 |
| Other (2) | — | — | — | 8 | 1 | 3 | 12 |
| Total | $ 217 | $ 39 | $ 15 | $ 54 | $ 1 | $ 3 | $ 329 |

| (in millions) | Nine Months Ended September 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Print Systems** | **Enterprise Inkjet Systems** | **Kodak Software** | **Brand, Film and Imaging** | **Advanced Materials and 3D Printing Technology** | **Eastman Business Park** | **Total** |
| Plates, inks and other consumables | $ 509 | $ 24 | $ — | $ 13 | $ — | $ — | $ 546 |
| Ongoing service arrangements (1) | 100 | 59 | 36 | 2 | — | — | 197 |
| Total Annuities | 609 | 83 | 36 | 15 | — | — | 743 |
| Equipment & Software | 51 | 20 | 11 | — | — | — | 82 |
| Film and chemicals | — | — | — | 122 | — | — | 122 |
| Other (2) | — | — | — | 22 | 3 | 7 | 32 |
| Total | $ 660 | $ 103 | $ 47 | $ 159 | $ 3 | $ 7 | $ 979 |

(1) Service revenue in the Consolidated Statement of Operations includes the ongoing service revenue shown above as well as revenue from project-based document management and managed print services businesses, which is included in Other above.

(2) Other includes revenue from professional services, non-recurring engineering services, print and managed media services, tenant rent and related property management services and licensing.

**Product Portfolio Summary:**

| (in millions) | Print Systems | Enterprise Inkjet Systems | Kodak Software | Brand, Film and Imaging | Advanced Materials and 3D Printing Technology | Eastman Business Park | Total |
|---|---|---|---|---|---|---|---|
| | Three Months Ended September 30, 2019 | | | | | | |
| Growth engines (1) | $ 44 | $ 18 | $ 14 | $ 7 | $ 1 | $ — | $ 84 |
| Strategic other businesses (2) | 162 | — | — | 46 | — | 2 | 210 |
| Planned declining businesses (3) | 7 | 11 | — | 3 | — | — | 21 |
| | $ 213 | $ 29 | $ 14 | $ 56 | $ 1 | $ 2 | $ 315 |

| (in millions) | Print Systems | Enterprise Inkjet Systems | Kodak Software | Brand, Film and Imaging | Advanced Materials and 3D Printing Technology | Eastman Business Park | Total |
|---|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, 2019 | | | | | | |
| Growth engines (1) | $ 128 | $ 57 | $ 42 | $ 22 | $ 3 | $ — | $ 252 |
| Strategic other businesses (2) | 461 | — | — | 128 | — | 7 | 596 |
| Planned declining businesses (3) | 23 | 33 | — | 9 | — | — | 65 |
| | $ 612 | $ 90 | $ 42 | $ 159 | $ 3 | $ 7 | $ 913 |

| (in millions) | Print Systems | Enterprise Inkjet Systems | Kodak Software | Brand, Film and Imaging | Advanced Materials and 3D Printing Technology | Eastman Business Park | Total |
|---|---|---|---|---|---|---|---|
| | Three Months Ended September 30, 2018 | | | | | | |
| Growth engines (1) | $ 39 | $ 27 | $ 15 | $ 8 | $ 1 | $ — | $ 90 |
| Strategic other businesses (2) | 170 | — | — | 42 | — | 3 | 215 |
| Planned declining businesses (3) | 8 | 12 | — | 4 | — | — | 24 |
| | $ 217 | $ 39 | $ 15 | $ 54 | $ 1 | $ 3 | $ 329 |

| (in millions) | Print Systems | Enterprise Inkjet Systems | Kodak Software | Brand, Film and Imaging | Advanced Materials and 3D Printing Technology | Eastman Business Park | Total |
|---|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, 2018 | | | | | | |
| Growth engines (1) | $ 113 | $ 63 | $ 47 | $ 22 | $ 3 | $ — | $ 248 |
| Strategic other businesses (2) | 520 | — | — | 124 | — | 7 | 651 |
| Planned declining businesses (3) | 27 | 40 | — | 13 | — | — | 80 |
| | $ 660 | $ 103 | $ 47 | $ 159 | $ 3 | $ 7 | $ 979 |

(1) Growth engines consist of Sonora, PROSPER, Kodak Software, brand licensing and AM3D, excluding intellectual property (IP) licensing.

(2) Strategic Other Businesses include plates, Computer to Plate ("CTP") equipment and related service, and Nexpress and related toner business in the Print Systems segment, Motion Picture and Industrial Film and Chemicals in the Brand, Film and Imaging segment, Eastman Business Park and IP licensing.

(3) Planned Declining Businesses are product lines where the decision has been made to stop new product development and manage an orderly expected decline in the installed product and annuity base. These product families consist of Consumer Inkjet in the Brand, Film and Imaging segment, Versamark in the Enterprise Inkjet Systems segment and Digimaster in the Print Systems segment.

**Geography:**

| | Three Months Ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | **Print Systems** | **Enterprise Inkjet Systems** | **Kodak Software** | **Brand, Film and Imaging** | **Advanced Materials and 3D Printing Technology** | **Eastman Business Park** | **Total** |
| United States | $ 65 | $ 12 | $ 6 | $ 36 | $ 1 | $ 2 | $ 122 |
| Canada | 4 | — | 1 | 1 | — | — | 6 |
| North America | 69 | 12 | 7 | 37 | 1 | 2 | 128 |
| Europe, Middle East and Africa | 79 | 9 | 4 | 6 | — | — | 98 |
| Asia Pacific | 53 | 7 | 3 | 13 | — | — | 76 |
| Latin America | 12 | 1 | — | — | — | — | 13 |
| Total Sales | $ 213 | $ 29 | $ 14 | $ 56 | $ 1 | $ 2 | $ 315 |

| | Nine Months Ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | **Print Systems** | **Enterprise Inkjet Systems** | **Kodak Software** | **Brand, Film and Imaging** | **Advanced Materials and 3D Printing Technology** | **Eastman Business Park** | **Total** |
| United States | $ 175 | $ 38 | $ 19 | $ 101 | $ 3 | $ 7 | $ 343 |
| Canada | 11 | 1 | 2 | 2 | — | — | 16 |
| North America | 186 | 39 | 21 | 103 | 3 | 7 | 359 |
| Europe, Middle East and Africa | 238 | 30 | 14 | 16 | — | — | 298 |
| Asia Pacific | 153 | 19 | 6 | 39 | — | — | 217 |
| Latin America | 35 | 2 | 1 | 1 | — | — | 39 |
| Total Sales | $ 612 | $ 90 | $ 42 | $ 159 | $ 3 | $ 7 | $ 913 |

| | Three Months Ended September 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | Print Systems | Enterprise Inkjet Systems | Kodak Software | Brand, Film and Imaging | Advanced Materials and 3D Printing Technology | Eastman Business Park | Total |
| United States | $ 57 | $ 13 | $ 6 | $ 33 | $ 1 | $ 3 | $ 113 |
| Canada | 3 | 1 | 1 | — | — | — | 5 |
| North America | 60 | 14 | 7 | 33 | 1 | 3 | 118 |
| Europe, Middle East and Africa | 87 | 18 | 6 | 5 | — | — | 116 |
| Asia Pacific | 56 | 7 | 1 | 15 | — | — | 79 |
| Latin America | 14 | — | 1 | 1 | — | — | 16 |
| Total Sales | $ 217 | $ 39 | $ 15 | $ 54 | $ 1 | $ 3 | $ 329 |

| | Nine Months Ended September 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | Print Systems | Enterprise Inkjet Systems | Kodak Software | Brand, Film and Imaging | Advanced Materials and 3D Printing Technology | Eastman Business Park | Total |
| United States | $ 174 | $ 35 | $ 20 | $ 98 | $ 3 | $ 7 | $ 337 |
| Canada | 9 | 1 | 3 | 2 | — | — | 15 |
| North America | 183 | 36 | 23 | 100 | 3 | 7 | 352 |
| Europe, Middle East and Africa | 273 | 43 | 17 | 15 | — | — | 348 |
| Asia Pacific | 162 | 22 | 5 | 42 | — | — | 231 |
| Latin America | 42 | 2 | 2 | 2 | — | — | 48 |
| Total Sales | $ 660 | $ 103 | $ 47 | $ 159 | $ 3 | $ 7 | $ 979 |

***Contract Balances***

The timing of revenue recognition, billings and cash collections results in billed trade receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) in the Consolidated Statement of Financial Position.  The contract assets are transferred to trade receivables when the rights to consideration become unconditional.  The amounts recorded for contract assets at September 30, 2019 and December 31, 2018 were $2 million and $3 million, respectively, and are reported in Other current assets in the Consolidated Statement of Financial Position.  The contract liabilities primarily relate to prepaid service contracts, upfront payments for certain equipment purchases or prepaid royalties on intellectual property arrangements.  The amounts recorded for contract liabilities at September 30, 2019 and December 31, 2018 were $61 million and $48 million, respectively, of which $42 million are reported in Other current liabilities in both periods and $19 million and $6 million, respectively, are reported in Other long-term liabilities in the Consolidated Statement of Financial Position.

Revenue recognized for the quarter and nine months ended September 30, 2019 and 2018 that was included in the contract liability balance at the beginning of the year was $4 million and $34 million in 2019, respectively, and $1 million and $29 million in 2018, respectively, and primarily represented revenue from prepaid service contracts and equipment revenue recognition.  Contract liabilities as of September 30, 2019 included $26 million and $43 million of cash payments received during the quarter and nine months ended September 30, 2019, respectively.  Contract liabilities as of September 30, 2018 included $23 million and $31 million of cash payments received during the quarter and nine months ended September 30, 2018, respectively.

***Unsatisfied Performance Obligations***

Kodak does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less or for which revenue is recognized at the amount to which Kodak has the right to invoice for services performed. Performance obligations with an original expected length of greater than one year generally consist of deferred service contracts, operating leases and licensing arrangements. As of September 30, 2019, there was approximately $70 million of unrecognized revenue from unsatisfied performance obligations. Approximately 10% of the revenue from unsatisfied performance obligations is expected to be recognized in the rest of 2019, 30% in 2020, 20% in 2021, 10% in both 2022 and 2023 and 20% thereafter.

**NOTE 13: OTHER OPERATING EXPENSE (INCOME), NET**

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| Expense (income): | | | | |
| Transition services agreement income | $ (2) | $ — | $ (4) | $ — |
| Loss (gain) on sale of assets (1) | 12 | (5) | 13 | (7) |
| Legal reserve changes | — | (4) | — | (4) |
| Other | — | (1) | 1 | (1) |
| Total | $ 10 | $ (10) | $ 10 | $ (12) |

(1) In the third quarter of 2019, Kodak sold its shares of the Kodak (China) Graphic Communication Co., Ltd and recognized a loss of $12 million. Refer to Note 23: "Assets Held for Sale".

**NOTE 14: OTHER CHARGES (INCOME), NET**

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| Change in fair value of embedded conversion features derivative liability (1) | $ 4 | $ (5) | $ 3 | $ 2 |
| Loss on foreign exchange transactions | 3 | 2 | 4 | 11 |
| Other | (1) | (1) | — | — |
| Total | $ 6 | $ (4) | $ 7 | $ 13 |

(1) Refer to Note 23, "Financial Instruments".

**NOTE 15: INCOME TAXES**

***Tax Asset Protection Plan and Amendment to the Certificate of Incorporation***

On September 12, 2019, the Company adopted a Tax Asset Protection Plan (the "Plan") and filed a certificate of amendment to its Second Amended and Restated Certificate of Incorporation (the "Protective Amendment"). The purpose of the Plan and the Protective Amendment is to help protect the Company's ability to utilize net operating loss and foreign tax credit carryforwards (the "Tax Benefits") to minimize U.S. federal taxes during future periods. The Company's use of the Tax Benefits in the future may be significantly limited if it experiences an "ownership change" for U.S. federal income tax purposes as defined under Section 382 of the U.S. Internal Revenue Code. In general, an ownership change will occur when the percentage of the Company's ownership (by value) of one or more "5-percent shareholders" has increased in the aggregate by more than 50 percent over the lowest percentage owned by such shareholders at any time during the prior three years (calculated on a rolling basis). In the Company's case, because the Company's outstanding convertible preferred stock and convertible notes are aggregated together with the Company's common stock in determining if there is a 5-percent shareholder for tax purposes, the Plan and the Protective Amendment discourage or restrict, as applicable, the ownership of 10% or more of the Company's common stock, rather than the 5% usually contained in such plans.

The Plan is designed to reduce the likelihood that the Company will experience an ownership change by (i) discouraging any person or group from acquiring 10% or more of the Company's common stock and (ii) discouraging any existing 10% holder of the common stock from acquiring more than 1,000,000 additional shares of Company common stock. The Protective Amendment will generally restrict the transfer of the Company's common stock if the effect will be to increase the beneficial ownership of any person to 10% or more of the outstanding common stock or cause the beneficial ownership of a 10% holder of common stock to increase by more than 1,000,000 shares on common stock. There is no guarantee, however, that the Plan and the Protective Amendment will prevent the Company from experiencing an ownership change.

Kodak's income tax provision and effective tax rate were as follows:

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| (Loss) earnings from continuing operations before income taxes | $ (3) | $ 23 | $ (16) | $ 5 |
| Effective tax rate | (233.3)% | 13.0% | (75.0)% | 140.0% |
| Provision for income taxes | 7 | 3 | 12 | 7 |
| (Benefit) provision for income taxes at U.S. statutory tax rate | (1) | 5 | (3) | 1 |
| Difference between tax at effective vs. statutory rate | $ 8 | $ (2) | $ 15 | $ 6 |

For the three months ended September 30, 2019, the difference between Kodak's effective tax rate and the U.S. statutory rate of 21.0% is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses, (2) the results from operations in jurisdictions outside the U.S., (3) a provision associated with the establishment of a deferred tax asset valuation allowance outside the U.S. and (4) a benefit associated with foreign withholding taxes on undistributed earnings.

For the nine months ended September 30, 2019, the difference between Kodak's effective tax rate and the U.S. statutory rate of 21.0% is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses, (2) the results from operations in jurisdictions outside the U.S., (3) a provision associated with the establishment of a deferred tax asset valuation allowance outside the U.S. and (4) changes in audit reserves.

For the three months ended September 30, 2018, the difference between Kodak's effective tax rate and the U.S. statutory rate of 21.0% is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses, (2) the results from operations in jurisdictions outside the U.S., (3) a benefit associated with foreign withholding taxes on undistributed earnings and (4) changes in audit reserves, including a settlement with a taxing authority in a location outside the U.S.

For the nine months ended September 30, 2018, the difference between Kodak's effective tax rate and the U.S. statutory rate of 21.0% is primarily attributable to: (1) the impact related to existing valuation allowances associated with changes in net deferred tax assets from current earnings and losses, (2) the results from operations in jurisdictions outside the U.S. and (3) changes in audit reserves, including a settlement with a taxing authority in a location outside the U.S.

**NOTE 16: RESTRUCTURING LIABILITIES**

Charges for restructuring activities are recorded in the period in which Kodak commits to a formalized restructuring plan, or executes the specific actions contemplated by the plan, and all criteria for liability recognition under the applicable accounting guidance have been met. Restructuring actions taken in the first nine months of 2019 were initiated to reduce Kodak's cost structure as part of its commitment to drive sustainable profitability and included various targeted reductions in manufacturing, service, sales and other administrative functions.

***Restructuring Reserve Activity***

The activity in the accrued balances and the non-cash charges and credits incurred in relation to restructuring activities for the nine months ended September 30, 2019 were as follows:

| (in millions) | **Severance Reserve** (1) | **Exit Costs Reserve** (1) | **Long-lived Asset Impairments and Inventory Write-downs** (1) | **Total** |
|---|---|---|---|---|
| Balance as of December 31, 2018 | $ 6 | $ 2 | $ — | $ 8 |
| Q1 charges | 2 | — | — | 2 |
| Q1 utilization/cash payments | (2) | — | — | (2) |
| Q1 other adjustments and reclasses (2) | (1) | — | — | (1) |
| Balance as of March 31, 2019 | $ 5 | $ 2 | $ — | $ 7 |
| Q2 charges - continuing operations | $ 2 | $ — | $ — | $ 2 |
| Q2 charges - discontinued operations | 1 | — | — | 1 |
| Q2 utilization/cash payments | (2) | — | — | (2) |
| Q2 other adjustments and reclasses (2) | (1) | — | — | (1) |
| Balance as of June 30, 2019 | $ 5 | $ 2 | $ — | $ 7 |
| Q3 charges | $ 3 | $ — | $ — | $ 3 |
| Q3 utilization/cash payments | (2) | (1) | — | (3) |
| Balance as of September 30, 2019 | $ 6 | $ 1 | $ — | $ 7 |

(1) The severance and exit costs reserves require the outlay of cash, while long-lived asset impairments and inventory write-downs represent non-cash items.

(2) Represents severance charges funded from pension plan assets, which were reclassified to Pension and other postretirement liabilities.

The $3 million of charges for the three months ended September 30, 2019 was reported as Restructuring costs and other.

The severance costs for the three months ended September 30, 2019 related to the elimination of approximately 25 positions including approximately 10 manufacturing/service positions, and 15 administrative and sales positions. The geographic composition of these positions includes approximately 10 in the United States and Canada and 15 throughout the rest of the world.

For the nine months ended September 30, 2019, $7 million of charges was reported as Restructuring costs and other and $1 million was reported in Income from discontinued operations.

The severance costs for the nine months ended September 30, 2019 related to the elimination of approximately 100 positions, including approximately 30 manufacturing/service positions and 70 administrative and sales positions. The geographic composition of these positions includes approximately 50 in the United States and Canada and 50 throughout the rest of the world.

As a result of these initiatives, the majority of the severance will be paid during periods through the end of the first quarter of 2020.

## NOTE 17: RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

Components of the net periodic benefit cost for all major U.S. and Non-U.S. defined benefit plans are as follows:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| (in millions) | U.S. | Non-U.S. | U.S. | Non-U.S. | U.S. | Non-U.S. | U.S. | Non-U.S. |
| **Major defined benefit plans:** | | | | | | | | |
| Service cost | $ 3 | $ — | $ 4 | $ 1 | $ 8 | $ 2 | $ 10 | $ 3 |
| Interest cost | 30 | 3 | 27 | 3 | 91 | 9 | 82 | 9 |
| Expected return on plan assets | (53) | (6) | (55) | (7) | (160) | (17) | (167) | (20) |
| Amortization of: | | | | | | | | |
| Prior service credit | (2) | — | (2) | — | (5) | — | (6) | — |
| Actuarial loss | — | 2 | 1 | 1 | — | 4 | 4 | 3 |
| Net pension income before special termination benefits | (22) | (1) | (25) | (2) | (66) | (2) | (77) | (5) |
| Special termination benefits | — | — | 3 | — | 2 | — | 4 | — |
| Curtailment gain | — | — | — | — | (2) | — | — | — |
| Net pension income from major plans | (22) | (1) | (22) | (2) | (66) | (2) | (73) | (5) |
| Other plans | — | — | — | (3) | — | (4) | — | (3) |
| Total net pension income | $ (22) | $ (1) | $ (22) | $ (5) | $ (66) | $ (6) | $ (73) | $ (8) |

For the three and nine months ended September 30, 2019 the special termination benefits charges were incurred as a result of Kodak's restructuring actions and have been included in Restructuring costs and other in the Consolidated Statement of Operations for those periods.

The $2 million curtailment gain for the nine months ended September 30, 2019 was incurred as a result of the sale of FPD and is included in Income from discontinued operations in the Consolidated Statement of Operations. In addition, the amounts shown for Other plans include $5 million of settlement gains for the nine months ended September 30, 2019 due to the transfer of non-major, non-U.S. pension liabilities as a result of the sale of FPD. These amounts are also included in Income from discontinued operations in the Consolidated Statement of Operations.

## NOTE 18: EARNINGS PER SHARE

Basic earnings per share computations are based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share include any dilutive effect of potential common shares. In periods with a net loss from continuing operations available to common shareholders, diluted earnings per share are calculated using weighted-average basic shares for that period, as utilizing diluted shares would be anti-dilutive to loss per share.

A reconciliation of the amounts used to calculate basic and diluted earnings per share for quarter and nine months ended September 30, 2019 and 2018 follows (in millions):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2019 | 2018 | 2019 | 2018 |
| (Loss) income from continuing operations | $ (10) | $ 20 | $ (28) | $ (2) |
| Less: Series A convertible preferred stock cash dividend | (2) | (2) | (8) | (8) |
| Less: Series A convertible preferred stock deemed dividend | (3) | (3) | (7) | (7) |
| (Loss) income from continuing operations available to common shareholders - basic and diluted | $ (15) | $ 15 | $ (43) | $ (17) |
| | | | | |
| Net (loss) income | $ (5) | $ 19 | $ 178 | $ (2) |
| Less: Series A convertible preferred stock cash dividend | (2) | (2) | (8) | (8) |
| Less: Series A convertible preferred stock deemed dividend | (3) | (3) | (7) | (7) |
| Net (loss) income available to common shareholders - basic and diluted | $ (10) | $ 14 | $ 163 | $ (17) |

| (in millions of shares) | | | | |
|---|---|---|---|---|
| Weighted average shares - basic | 43.0 | 42.7 | 43.0 | 42.7 |
| Effect of dilutive securities | | | | |
| Unvested restricted stock units | — | 0.3 | — | — |
| Weighted average shares - diluted EPS calculation | 43.0 | 43.0 | 43.0 | 42.7 |

As a result of the net loss from continuing operations available to common shareholders for the quarter and nine months ended September 30, 2019 and the nine months ended September 30, 2018, Kodak calculated diluted earnings per share using weighted-average basic shares outstanding for those periods. If Kodak reported earnings from continuing operations available to common shareholders for the quarter and nine months ended September 30, 2019 and the nine months ended September 30, 2018, the calculation of diluted earnings per share would have included the assumed conversion of 0.6 million unvested restricted stock units for both periods in 2019 and 0.2 million of unvested restricted stock units for the nine months ended September 30, 2018.

The computation of diluted earnings per share for the quarter and nine months ended September 30, 2019 and 2018 excluded the impact of (1) the assumed conversion of 2.0 million shares of Series A convertible preferred shares and (2) the assumed conversion of outstanding employee stock options of 8.9 million and 9.0 million in the quarter and nine months ending September 30, 2019, respectively, and 5.2 million and 5.0 million in the quarter and nine months ending September 30, 2018, respectively, because the effects would have been anti-dilutive. The computation of diluted earnings per share for the quarter and nine months ending September 30, 2019 also excluded the assumed conversion of $100 million of Convertible Notes because the effects would have been anti-dilutive.

**NOTE 19: SHAREHOLDERS' EQUITY**

Kodak has 560 million shares of authorized stock, consisting of: (i) 500 million shares of common stock, par value $0.01 per share and (ii) 60 million shares of preferred stock, no par value, issuable in one or more series. As of September 30, 2019 and December 31, 2018, there were 43.1 million and 42.8 million shares of common stock outstanding, respectively, and 2.0 million shares of Series A preferred stock issued and outstanding. Treasury stock consisted of approximately 0.7 million shares and 0.6 million shares as of September 30, 2019 and December 31, 2018, respectively.

**NOTE 20: OTHER COMPREHENSIVE INCOME (LOSS)**

The changes in Other comprehensive income (loss), by component, were as follows:

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| (in millions) | | 2019 | 2018 | 2019 | 2018 |
| Currency translation adjustments | | $ (2) | $ (12) | $ 2 | $ (19) |
| Pension and other postretirement benefit plan changes | | | | | |
| Newly established net actuarial gain | | — | 7 | 5 | 8 |
| Tax Provision | | — | (2) | (2) | (2) |
| Newly established net actuarial gain, net of tax | | — | 5 | 3 | 6 |
| Reclassification adjustments: | | | | | |
| Amortization of prior service credit | (a) | (2) | (2) | (6) | (6) |
| Amortization of actuarial losses | (a) | 1 | 1 | 3 | 3 |
| Recognition of (gains) losses due to curtailments and settlements | | — | (2) | (2) | (1) |
| Total reclassification adjustments | | (1) | (3) | (5) | (4) |
| Tax provision | | — | 1 | — | 1 |
| Reclassification adjustments, net of tax | | (1) | (2) | (5) | (3) |
| Pension and other postretirement benefit plan changes, net of tax | | (1) | 3 | (2) | 3 |
| Other comprehensive income (loss) | | $ (3) | $ (9) | $ — | $ (16) |

(a) Reclassified to Total Net Periodic Benefit Cost - refer to Note 16, "Retirement Plans and Other Postretirement Benefits".

**NOTE 21: SEGMENT INFORMATION**

***Change in Segments***
Effective in January 2019 Kodak changed its organizational structure. Kodak Technology Solutions, formerly part of the Software and Solutions segment, was moved into the Consumer and Film segment. The Consumer and Film segment was renamed the Brand, Film & Imaging segment. The Unified Workflow Solutions business, formerly part of the Software and Solutions segment, will operate as a dedicated segment named Kodak Software segment.

Financial information is reported for six reportable segments: Print Systems, Enterprise Inkjet Systems, Kodak Software, Brand, Film and Imaging, Advanced Materials and 3D Printing Technology and Eastman Business Park. A description of the reportable segments follows.

**Print Systems**: The Print Systems segment is comprised of two lines of business: Prepress Solutions and Electrophotographic Printing Solutions.

**Enterprise Inkjet Systems**: The Enterprise Inkjet Systems segment is comprised of two lines of business: the Prosper business and the Versamark business.

**Kodak Software**: The Kodak Software segment is comprised of the Software business.

**Brand, Film and Imaging**: The Brand, Film and Imaging segment is comprised of five lines of business: Consumer Products, Industrial Film and Chemicals, Motion Picture, Kodak Services for Business ("KSB") and Kodakit.

**Advanced Materials and 3D Printing Technology**: The Advanced Materials and 3D Printing Technology segment includes the Kodak Research Laboratories and associated new business opportunities and intellectual property licensing not directly related to other business segments.

**Eastman Business Park**: The Eastman Business Park segment includes the operations of the Eastman Business Park, a more than 1,200-acre technology center and industrial complex.

Segment financial information is shown below:

**Segment Revenues**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2019 | 2018 | 2019 | 2018 |
| Print Systems | $ 213 | $ 217 | $ 612 | $ 660 |
| Enterprise Inkjet Systems | 29 | 39 | 90 | 103 |
| Kodak Software | 14 | 15 | 42 | 47 |
| Brand, Film and Imaging | 56 | 54 | 159 | 159 |
| Advanced Materials and 3D Printing Technology | 1 | 1 | 3 | 3 |
| Eastman Business Park | 2 | 3 | 7 | 7 |
| Consolidated total | $ 315 | $ 329 | $ 913 | $ 979 |

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

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| Print Systems | $ 20 | $ 11 | $ 32 | $ 20 |
| Enterprise Inkjet Systems | (3) | 2 | (6) | 3 |
| Kodak Software | 2 | 1 | 1 | 3 |
| Brand, Film and Imaging | (1) | (3) | (10) | (15) |
| Advanced Materials and 3D Printing Technology | (4) | (2) | (9) | (10) |
| Eastman Business Park | — | 0 | (1) | (3) |
| Total of reportable segments | 14 | 9 | 7 | (2) |
| Depreciation and amortization | (14) | (17) | (43) | (54) |
| Restructuring costs and other | (3) | (9) | (7) | (13) |
| Stock based compensation | (1) | (2) | (6) | (5) |
| Consulting and other costs (1) | (2) | (4) | (7) | (11) |
| Idle costs (2) | (1) | (1) | (4) | (2) |
| Former CEO separation agreement compensation | — | — | (2) | — |
| Other operating (expense) income, net, excluding income from transition services agreement (3) | (12) | 10 | (14) | 12 |
| Interest expense (4) | (4) | (2) | (12) | (6) |
| Pension income excluding service cost component (4) | 26 | 35 | 79 | 99 |
| Other income (charges), net (4) | (6) | 4 | (7) | (13) |
| Consolidated (loss) income from continuing operations before income taxes | $ (3) | $ 23 | $ (16) | $ 5 |

(1) Consulting and other costs are primarily professional services and internal costs associated with certain corporate strategic initiatives.

(2) Consists of costs such as security, maintenance and utilities required to maintain land and buildings in certain locations not used in any Kodak operations and the costs, net of any rental income received, of underutilized portions of certain properties.

(3) $2 million and $4 million of income from the transition services agreement with the Purchaser was recognized in the quarter and nine months ended September 30, 2019, respectively. The income was reported in Other operating (expense) income, net in the Consolidated Statement of Operations. Other operating (expense) income, net is typically excluded from the segment measure. However, the income from the transition services agreement was included in the segment measure.

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

***Segment Measure of Profit and Loss***

Kodak's segment measure of profit and loss is an adjusted earnings before interest, taxes, depreciation and amortization ("Operational EBITDA"). As demonstrated in the above table, Operational EBITDA represents the earnings (loss) from continuing operations excluding the provision for income taxes; non-service cost components of pension and OPEB income; depreciation and amortization expense; restructuring costs; stock-based compensation expense; consulting and other costs; idle costs; former CEO separation agreement compensation; other operating (expense) income, net (unless otherwise indicated); goodwill impairment losses; interest expense; and other (income) charges, net.

Kodak's segments are measured using Operational EBITDA both before and after allocation of corporate selling, general and administrative expenses ("SG&A"). The segment earnings measure reported is after allocation of corporate SG&A as this most closely aligns with U.S. GAAP. Research and Development activities not directly related to the other segments are reported within the Advanced Materials and 3D Printing Technology segment.

***Change in Segment Measure of Profitability***

During the first quarter of 2019 the segment measure was changed to exclude the costs, net of any rental income received, of underutilized portions of certain properties. Additionally, the allocation of costs from EBP to the Brand, Film and Imaging segment and Advanced Materials and 3D Printing Technology segment as tenants of EBP and to each of the segments as users of shared corporate space at the global headquarters changed. Prior year results have been revised to reflect these changes.

**NOTE 22: DISCONTINUED OPERATIONS**

Discontinued operations of Kodak include the former Flexographic Packaging segment comprised of Kodak's Flexographic Packaging Business ("FPD").

Kodak consummated the sale of certain assets of FPD to the Purchaser on April 8, 2019 for net cash consideration at closing, in addition to the assumption by Purchaser of certain liabilities of FPD, of $320 million, pursuant to the Stock and Asset Purchase Agreement ("SAPA") signed in November 2018 and amended in March 2019. Assets and liabilities of FPD in China were transferred at a deferred closing on July 1, 2019 for net cash consideration of $5.9 million at closing and a promissory note for $1.4 million in addition to the assumption by Purchaser of certain liabilities of FPD, in accordance with the SAPA. Kodak operated FPD in China, subject to certain covenants, until the deferred closing occurred. The promissory note was reduced by a true-up payment of $0.2 million owed by Kodak to the Purchaser which reflected the actual economic benefit attributable to the operation of FPD in China from the time of the initial closing through the time of the deferred closing.

The divested business has the right to use Kodak's corporate brand for a 10-year period related to Covered Products (as defined in the SAPA) for no additional consideration. Therefore, $10 million of consideration received for the sale of FPD was recognized as deferred revenue related to the brand license. The deferred revenue is reported in Long-term liabilities in the Consolidated Statement of Financial Condition and will be recognized as revenue over the term of the license. Proceeds were allocated between the sale of FPD and the brand license based on their relative fair values.

Kodak recognized an after- tax gain on the sale of FPD of $212 million in the nine months ending September 30, 2019.

Simultaneously with entering into the SAPA, the Company and the Purchaser entered into an Earn-out Agreement, pursuant to which the Company will be entitled to an aggregate of up to $35 million in additional cash consideration if FPD achieves agreed EBITDA targets for 2018 ($10 million earn-out), 2019 ($10 million earn-out) and 2020 ($15 million earn-out). The EBITDA target for 2018 was not achieved.

On April 16, 2019 the Purchaser paid Kodak $15 million as a prepayment for services and products to be provided by Kodak to the Purchaser. The Purchaser has the option to satisfy its payment obligations to Kodak through a reduction of the prepayment balance or in cash. As of September 30, 2019, the remaining prepayment balance is $8 million.

The results of operations of FPD are classified as discontinued operations in the Consolidated Statement of Operations for all periods presented. Direct operating expenses of the discontinued operations are included in the results of discontinued operations. Indirect expenses that were historically allocated to the discontinued operations have been included in the results of continuing operations. Prior period results have been reclassified to conform to the current period presentation. Additionally, the assets and liabilities associated with FPD are classified as held for sale at December 31, 2018.

The results of operations of FPD are presented below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2019 | 2018 | 2019 | 2018 |
| Revenues | $ — | $ 36 | $ 44 | $ 111 |
| Cost of revenues | — | 22 | 28 | 66 |
| Selling, general and administrative expenses | — | 5 | 10 | 13 |
| Research and development costs | — | 2 | 2 | 6 |
| Interest expense | — | 7 | 7 | 20 |
| Gain on divestiture | (4) | — | (214) | — |
| Income (loss) from discontinued operations before taxes | 4 | — | 211 | 6 |
| (Benefit) provision for income taxes | (1) | 1 | 5 | 6 |
| Income (loss) from discontinued operations | $ 5 | $ (1) | $ 206 | $ — |

After the initial closing, Kodak was required to use a portion of the proceeds from the sale of FPD to repay $312 million of the loans under the Term Credit Agreement. Interest expense on debt that was required to be repaid as a result of the sale was allocated to discontinued operations.

Approximately $6 million of transaction costs are included in Selling, general and administrative expenses in the year-to-date period ending September 30, 2019.

The following table presents cash flow information associated with FPD:

| (in millions) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| Depreciation | $ — | $ 3 |
| Amortization | — | 1 |
| Capital expenditures | — | 6 |

Depreciation and amortization of long-lived assets of FPD included in discontinued operations ceased as of December 1, 2018.

**NOTE 23: ASSETS HELD FOR SALE**

Assets held for sale at December 31, 2018 include the assets and liabilities of the FPD business and the assets and liabilities of Kodak (China) Graphics Communication Co. Ltd., including the offset printing plates facility in Xiamen, China.

The following table presents the aggregate carrying amount of major assets and liabilities of FPD:

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ — | $ 2 |
| Trade receivables, net | — | 28 |
| Inventories, net | — | 33 |
| Property, plant and equipment, net | — | 28 |
| Goodwill | — | 20 |
| Intangible assets | — | 1 |
| Other assets | — | 1 |
| Assets of business held for sale | $ — | $ 113 |
| | | |
| **LIABILITIES** | | |
| Accounts payable, trade | $ — | $ 9 |
| Pension and other postretirement liabilities | — | 4 |
| Other current liabilities | — | 7 |
| Liabilities of business held for sale | $ — | $ 20 |

A dedicated entity of FPD had intercompany receivables with Kodak of approximately $5 million as of December 31, 2018 that were part of the transaction but are not reflected in the table above as these amounts have been eliminated in deriving the consolidated financial statements.

On August 3, 2019 Kodak reached an agreement with Lucky HuaGuang Graphics Co. Ltd ("HuaGuang") to establish a strategic relationship in the People's Republic of China. The relationship is comprised of an agreement for Kodak to sell its shares of the Kodak (China) Graphic Communication Co. Ltd. entity which includes the offset printing plates facility in Xiamen, China, and related assets and liabilities, to HuaGuang, a supply agreement from HuaGuang to Kodak and a license agreement under which Kodak licenses its plates technology to HuaGuang to sell into the plates market in China. The relationship was established at a closing on September 1, 2019 for net cash consideration at closing, in addition to the assumption by HuaGuang of certain liabilities, of $30 million and promissory notes of $8 million representing the outstanding amount of net intercompany receivables owed by Kodak to the Kodak (China) Graphic Communication Co. Ltd at the time of closing. Promissory note payments are being paid by HuaGuang monthly as Kodak remits payments to the Kodak (China) Graphic Communication Co. Ltd. for the outstanding intercompany receivables. The outstanding balance of the promissory notes as of September 30, 2019 is $4 million.

The relationship with HuaGuang includes a license agreement under which Kodak licenses its plates technology to HuaGuang. Therefore, $13 million of the $30 million of consideration received was recognized as licensing revenue in the Print Systems segment in the three months ended September 30, 2019. Proceeds were allocated between the sale of the business and the intellectual property license based on their relative fair values.

The following table presents the aggregate carrying amount of major assets and liabilities the offset printing plates facility in Xiamen, China:

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ — | $ 13 |
| Inventories, net | — | 5 |
| Property, plant and equipment, net | — | 30 |
| Intangible assets | — | 2 |
| Other assets | — | 4 |
| Assets of business held for sale | $ — | $ 54 |
| | | |
| **LIABILITIES** | | |
| Accounts payable, trade | $ — | $ 19 |
| Other current liabilities | — | 4 |
| Liabilities of business held for sale | $ — | $ 23 |

Current assets held for sale as of September 30, 2019 in the Consolidated Statement of Financial Position included $2 million of assets under contract for sale not associated with either the FPD or HuaGuang transactions.

**NOTE 24: FINANCIAL INSTRUMENTS**

Kodak, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates and interest rates, which may adversely affect its results of operations and financial position. Kodak manages such exposures, in part, with derivative financial instruments. Foreign currency forward contracts are used to mitigate currency risk related to foreign currency denominated assets and liabilities. Kodak's exposure to changes in interest rates results from its investing and borrowing activities used to meet its liquidity needs. Kodak does not utilize financial instruments for trading or other speculative purposes.

Kodak's foreign currency forward contracts are not designated as hedges and are marked to market through net (loss) earnings at the same time that the exposed assets and liabilities are remeasured through net (loss) earnings (both in Other (income) charges, net in the Consolidated Statement of Operations). The notional amount of such contracts open at September 30, 2019 and December 31, 2018 was approximately $376 million and $415 million, respectively. The majority of the contracts of this type held by Kodak as of September 30, 2019 and December 31, 2018 are denominated in euros, Japanese yen, Chinese renminbi and Swiss francs.

The net effect of foreign currency forward contracts in the results of operations is shown in the following table:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2019 | 2018 | 2019 | 2018 |
| Net (loss) gain from derivatives not designated as hedging instruments | $ (1) | $ (2) | $ 2 | $ (8) |

Kodak had no derivatives designated as hedging instruments for the quarter and nine months ended September 30, 2019 and 2018.

In the event of a default under the ABL Credit Agreement, or a default under any derivative contract or similar obligation of Kodak, subject to certain minimum thresholds, the derivative counterparties would have the right, although not the obligation, to require immediate settlement of some or all open derivative contracts at their then-current fair value, but with liability positions netted against asset positions with the same counterparty.

As discussed in Note 7, “Debt and Finance Leases”, the Company concluded that the Convertible Notes are considered more akin to a debt-type instrument and that the economic characteristics and risks of the embedded conversion features and term extension option were not considered clearly and closely related to the Convertible Notes. The embedded conversion features not considered clearly and closely related are the conversion at the option of the holder (“Optional Conversion”) and the conversion in the event of a fundamental change or reorganization (“Fundamental Change or Reorganization Conversion”). Accordingly, these embedded conversion features and term extension option were bifurcated from the Convertible Notes and separately accounted for on a combined basis as a single derivative asset or liability. The derivative is in a liability position at September 30, 2019 and is reported in Other long-term liabilities in the Consolidated Statement of Financial Position. The derivative is being accounted for at fair value with changes in fair value being reported in Other charges, net in the Consolidated Statement of Operations.

As discussed in Note 8, “Redeemable, Convertible, Series A Preferred Stock”, the Company concluded that the Series A Preferred Stock is considered more akin to a debt-type instrument and that the economic characteristics and risks of the embedded conversion features, except where the conversion price was increased to the liquidation preference, were not considered clearly and closely related to the Series A Preferred Stock. The embedded conversion features not considered clearly and closely related are the conversion at the option of the holder (“Optional Conversion”); the ability of Kodak to automatically convert the stock after the second anniversary of issuance (“Mandatory Conversion”) and the conversion in the event of a fundamental change or reorganization (“Fundamental Change or Reorganization Conversion”). Accordingly, these embedded conversion features were bifurcated from the Series A Preferred Stock and separately accounted for on a combined basis as a single derivative asset or liability. The derivative is in an asset position at both September 30, 2019 and December 31, 2018, and is reported in Other long-term assets in the Consolidated Statement of Financial Position. The derivative is being accounted for at fair value with changes in fair value being reported in Other charges, net in the Consolidated Statement of Operations.

***Fair Value***

Fair values of Kodak’s foreign currency forward contracts are determined using observable inputs (Level 2 fair value measurements) and are based on the present value of expected future cash flows (an income approach valuation technique) considering the risks involved and using discount rates appropriate for the duration of the contracts. The gross fair value of foreign currency forward contracts in an asset position are reported in Other current assets and the gross fair value of foreign currency forward contracts in a liability position are reported in Other current liabilities in the Consolidated Statement of Financial Position. The gross fair value of forward contracts in an asset position as of September 30, 2019 and December 31, 2018 was $0 million and $3 million, respectively. The gross fair value of foreign currency forward contracts in a liability position as of September 30, 2019 and December 31, 2018 was $1 million, for both periods.

Transfers between levels of the fair value hierarchy are recognized based on the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during the quarter and nine months ended September 30, 2019.

The fair value of the embedded conversion features and term extension option derivatives are calculated using unobservable inputs (Level 3 fair measurements). The value of the Optional Conversion associated with both the Convertible Notes and Series A Preferred Stock is calculated using a binomial lattice model. The value of the term extension option reflects the probability weighted average value of the Convertible Notes using the original maturity date and a hypothetical extended maturity date, with all other contractual terms unchanged.

The following tables present the key inputs in the determination of fair value for the embedded conversion features and termination option derivatives:

Convertible Notes:

| | **Valuation Date** | |
|---|---|---|
| | **September 30, 2019** | **May 24, 2019 (Inception)** |
| Total value of embedded derivative liability ($ millions) | $ 18 | $ 14 |
| Kodak's closing stock price | $ 2.64 | $ 2.31 |
| Expected stock price volatility | 89.16% | 92.48% |
| Risk free rate | 1.62% | 2.13% |
| Yield on the convertible notes | 12.82% | 11.98% |

Series A Preferred Stock:

| | Valuation Date | | | |
|---|---|---|---|---|
| | September 30, 2019 | | December 31, 2018 | |
| Total value of embedded derivative asset ($ millions) | $ | 5 | $ | 4 |
| Kodak's closing stock price | $ | 2.64 | $ | 2.55 |
| Expected stock price volatility | | 89.16% | | 95.55% |
| Risk free rate | | 1.62% | | 2.46% |
| Yield on the preferred stock | | 19.20% | | 23.77% |

The Fundamental Change and Reorganization Conversion values at issuance were calculated as the difference between the total value of the Convertible Notes or Series A Preferred Stock, as applicable, and the sum of the net present value of the cash flows if the Convertible Notes are repaid at their initial maturity date or Series A Preferred Stock is redeemed on its fifth anniversary and the values of the other embedded derivatives.  The Fundamental Change and Reorganization Conversion values reduce the value of the embedded conversion features and term extension option derivative liability.  Other than events which alter the likelihood of a fundamental change or reorganization event, the value of the Fundamental Change and Reorganization Conversion reflects the value as of the issuance date, amortized for the passage of time.  The Fundamental Change and Reorganization Conversion value for the Series A Preferred Stock exceeded the value of the Optional Conversion and Mandatory Conversion values at both September 30, 2019 and December 31, 2018 resulting in the Series A Preferred Stock derivative being reported as an asset.

The fair values of long-term debt (Level 2 fair value measurements) are determined by reference to quoted market prices of similar instruments, if available, or by pricing models based on the value of related cash flows discounted at current market interest rates.  The fair values of long-term borrowings were $105 million and $5 million at September 30, 2019 and December 31, 2018, respectively.  At December 31, 2018, the fair value of current portion of long-term debt was also determined by reference to quoted market prices of similar instruments, if available, or by pricing models based on the value of related cash flows discounted at current market interest rates.  The fair value of current portion of long-term debt was $378 million at December 31, 2018.

The carrying values of cash and cash equivalents and restricted cash approximate their fair values at both September 30, 2019 and December 31, 2018.  The fair value of the current portion of long-term debt at September 30, 2019 approximates its carrying value.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

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

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

Forward–looking statements include statements concerning Kodak's plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, liquidity, investments, financing needs and business trends and other information that is not historical information. When used in this document, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "predicts," "forecasts," "strategy," "continues," "goals," "targets" or future or conditional verbs, such as "will," "should," "could," or "may," and similar expressions, as well as statements that do not relate strictly to historical or current facts, are intended to identify forward–looking statements. All forward–looking statements, including management's examination of historical operating trends and data, are based upon Kodak's expectations and various assumptions. Future events or results may differ from those anticipated or expressed in the forward-looking statements. Important factors that could cause actual events or results to differ materially from the forward-looking statements include, among others, the risks and uncertainties described in more detail in the Company's Annual Report on Form 10–K for the year ended December 31, 2018 under the headings "Business," "Risk Factors," "Legal Proceedings," and/or "Management's Discussion and Analysis of Financial Condition and Results of Operations–Liquidity and Capital Resources," in the corresponding sections of this report on Form 10-Q and the Company's quarterly reports on Form 10-Q for the quarters ended March 31, 2019 and June 30, 2019, and in other filings the Company makes with the SEC from time to time, as well as the following:

- Kodak's ability to improve and sustain its operating structure, cash flow, profitability and other financial results;
- Kodak's ability to achieve cash forecasts, financial projections, and projected growth;
- Kodak's ability to achieve the financial and operational results contained in its business plans;
- Kodak's ability to comply with the covenants in its various credit facilities;
- Kodak's ability to fund continued investments, capital needs and restructuring payments and service its debt and Series A Preferred Stock;
- Kodak's ability to effect strategic transactions, such as divestitures, acquisitions, strategic alliances and similar transactions, or to achieve the benefits sought to be achieved from such strategic transactions;
- Changes in foreign currency exchange rates, commodity prices and interest rates;
- Kodak's ability to effectively anticipate technology trends and develop and market new products, solutions and technologies;
- Kodak's ability to effectively compete with large, well-financed industry participants;
- Continued sufficient availability of borrowings and letters of credit under the ABL Credit Agreement, Kodak's ability to obtain additional financing if and as needed and Kodak's ability to provide or facilitate financing for its customers;
- The performance by third parties of their obligations to supply products, components or services to Kodak; and
- The impact of the global economic environment on Kodak.

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

**OVERVIEW**

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

Revenue decreased $14 million and $66 compared to the prior year quarter and first nine months (4% and 7%, respectively), including the unfavorable impact of currency ($5 million and $25 million) in the current year quarter and first nine months, respectively.

Kodak's strategy is to:

- Focus product investment in the following growth engines - Sonora, Ultrastream, Advanced Materials and 3D Printing and Software
- Maintain market leadership position and cash flows associated with Print Systems;
- Manage the expected decline in and maximize cash generated by mature businesses; and
- Continue to streamline processes to drive cost reductions and improve operating leverage.

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

- Kodak has eliminated current debt service requirements by paying down the Term Credit Agreement using proceeds from the sale of FPD and refinancing the remaining balance through the issuance of convertible debt which does not require any debt service until conversion or maturity on November 1, 2021. However, Kodak has significant cash requirements to fund ongoing operations, restructuring programs, pension and other postretirement obligations, and other obligations. Kodak's plans to return to positive cash flow include growing revenues profitably, reducing operating expenses, simplifying the organizational structure, generating cash from selling and leasing underutilized assets and paring investment in new technology by eliminating or delaying product development programs.
- Print Systems' revenues accounted for approximately 67% of Kodak's revenues for both the quarter and nine months ended September 30, 2019. Excluding licensing revenue ($13 million) recognized in the three months ended September 30, 2019 related to the HuaGuang relationship, Print Systems' revenues decreased $17 million (8%) and $61 million (9%) compared with the prior year quarter and first nine months, respectively, including the unfavorable impact of currency ($3 million and $19 million, respectively). Segment earnings improved by $9 million (82%) and $12 million (60%) compared to the prior year quarter and first nine months, respectively, reflecting the HuaGuang license revenue and cost reductions partially offset by volume and pricing declines. While digital plate offerings are experiencing market driven volume and pricing pressure, innovations in Kodak product lines which command premium prices, such as SONORA Process Free Plates, are expected to offset some of the long-term erosion in the market and manufacturing efficiencies are expected to mitigate the impact on earnings from revenue declines.
- In Enterprise Inkjet Systems, the legacy Versamark business is expected to continue to decline as a percentage of the segment's total revenue as the Prosper business grows. The Prosper Inkjet Systems business is expected to continue to build profitability. Investment in the next generation technology, Ultrastream, is focused on the ability to place Ultrastream writing systems in original equipment manufacturers and hybrid applications.
- The Kodak Software segment's revenues declined $1 million (7%) and $5 million (11%) compared to the prior year quarter and first nine months, respectively, primarily reflecting volume declines.
- Brand, Film and Imaging revenues improved $2 million compared with the prior year quarter (4%) and were flat compared with the prior year first nine months (0%). The segment loss improved $2 million compared with the prior year quarter (67%) and $5 million compared with first nine months (33%). Kodak plans to continue to promote the use of film to utilize as much film manufacturing capacity as possible.
- Film and related component manufacturing operations and Kodak Research Laboratories utilize capacity at Eastman Business Park, which helps cost absorption for both Kodak operations and tenants at EBP.
- Kodak plans to capitalize on its intellectual property through new business or licensing opportunities in 3D printing materials, smart material applications, and printed electronics markets.
- Kodak plans to continue to pursue monetization of its asset base, selling and licensing intellectual property, and selling and leasing excess capacity in its properties.

## CURRENT KODAK OPERATING MODEL AND REPORTING STRUCTURE

Kodak has six reportable segments: Print Systems; Enterprise Inkjet Systems; Kodak Software; Brand, Film and Imaging; Advanced Materials and 3D Printing Technology and Eastman Business Park.

**Print Systems**
The Print Systems segment is comprised of Prepress Solutions, which includes Kodak's digital offset plate offerings and computer-to-plate imaging solutions, and Electrophotographic Printing Solutions, which offers high-quality digital printing solutions using electrically charged toner-based technology. The Print Systems segment provides digital and traditional product and service offerings to a variety of commercial industries, including commercial print, direct mail, book publishing, newspapers and magazines and packaging.

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

The Print Systems products and services are sold globally to customers through both a direct sales team as well as indirectly through dealers.

*Prepress Solutions:*

- Digital offset plates include KODAK SONORA Process Free Plates. KODAK SONORA Process Free Plates are prepared directly with a CTP thermal output device and do not require subsequent processing chemistry, processing equipment or chemical disposal. As a result, the plates deliver cost savings and efficiency for customers and promote environmental sustainability practices.
- CTP output devices are used by customers to transfer images onto aluminum offset printing plates and provide consistent and high-quality imaging for offset press applications. CTP products provide high resolution, consistency and stability in thermal imaging. Kodak also offers a lower cost CTP system using TH5 imaging technology, which provides a highly efficient and cost-effective imaging solution at a lower price point.

*Electrophotographic Printing Solutions:*

- NEXPRESS printers produce high-quality, differentiated printing of short-run, personalized print applications, such as direct mail, books, marketing collateral and photo products.
- DIGIMASTER printers use monochrome electrophotographic printing technology for transactional printing, short-run books, corporate documentation, manuals and direct mail.

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

**Enterprise Inkjet Systems**

The Enterprise Inkjet Systems segment contains the Prosper business and the Versamark business. The Enterprise Inkjet Systems products include production press systems, consumables (primarily ink), inkjet components and services.

*Prosper:*

- The Prosper business product offerings, including the PROSPER Press systems and PROSPER Components, feature ultrafast inkjet droplet generation. This includes the PROSPER 6000 Press, which delivers a continuous flow of ink that enables constant and consistent operation, with uniform ink droplet size and accurate placement, even at very high print speeds. Applications of the PROSPER Press include publishing, commercial print, direct mail and packaging. PROSPER System Components are integrated into original equipment manufacturer ("OEM") partner products and systems. Sales of equipment that incorporate the PROSPER Writing Systems result in recurring revenue from sales of ink and other consumables and equipment service. The level of recurring revenue depends on the application for which the equipment is used, which drives the total number of pages printed and, therefore, the amount of ink usage. The business model is further supplemented by consumption of other consumables including refurbished jetting modules and service.

- The focus of the Prosper business is on developing the next generation platform, Ultrastream, with solutions that place writing systems in OEMs as well as direct sale press products that widens its reach into applications for packaging and décor and expands the substrate range to include plastics. The Prosper business secured its first agreement in the fourth quarter of 2018 with an industry OEM, who will integrate Ultrastream in a packaging press solution.

- The Prosper business includes Kodak Print Services. Kodak Print Services prints the Jersey Evening Post as well as the majority of U.K. national newspapers for distribution in both Jersey and Guernsey islands. The business is used to demonstrate the value of the Kodak Prosper presses to customers around the world.

*Versamark:*

- The KODAK VERSAMARK Products are the predecessor products to the PROSPER business. Kodak has ceased manufacturing VERSAMARK Press Systems. Users of KODAK VERSAMARK Products continue to purchase ink and other consumables as well as service from Kodak. Applications of the VERSAMARK products include publishing, transactional, commercial print and direct mail.

**Kodak Software**
The Kodak Software segment is comprised of the Software business. The Software business offers a leading suite of solutions for print production workflow, including the PRINERGY workflow production software, by providing customer value through automation, web integration and integration with other Kodak products and third-party offerings. Production workflow software is used by customers to manage digital and conventional print content from file creation to output. Production workflow software manages content and color, reduces manual errors and helps customers manage the collaborative creative process. Kodak believes it is a leader in production workflow solutions for the commercial print and packaging industries with over 15,000 systems installed in some of the largest printing and packaging establishments around the world. The Software business includes digital front-end controllers which manage the delivery of personalized content to digital presses while controlling color and print consistency.

**Brand, Film and Imaging**
The Brand, Film and Imaging segment is comprised of five lines of business: Consumer Products, Industrial Film and Chemicals, Motion Picture, Kodak Services for Business ("KSB") and Kodakit.

*Consumer Products:*

- Includes licensing of the Kodak brand to third parties. Kodak currently licenses its brand for use with a range of products including batteries, digital and instant print cameras and camera accessories, printers and LED lighting. Kodak intends to continue efforts to grow its portfolio of brand licenses to generate both ongoing royalty streams and upfront payments.
- Consumer Inkjet Solutions, which involves the sale of ink to an existing installed base of consumer inkjet printers.
- 3rd party sales of Specialty Inks and Dispersions.

*Industrial Film and Chemicals:*

- Offers industrial film, including films used by the electronics industry to produce printed circuit boards, as well as professional and consumer still photographic film.
- Includes related component businesses: Polyester Film; Solvent Recovery; and Specialty Chemicals.

*Motion Picture:*

- Includes the motion picture film business serving the entertainment industry. Motion picture products are sold directly to studios, external laboratories and independent filmmakers.
- Kodak motion picture film processing laboratories offering onsite processing services at strategic locations in the U.S. and Europe.

*Kodak Services for Business:*

KSB assists organizations with challenges and opportunities created by the worldwide digital transformation. It provides business process outsourcing services, scan and capture solutions, records conversion services, workflow solutions, content management, print and managed media services that assist customers with solutions that meet their business requirements. KSB has expertise in the capture, archiving, retrieval and delivery of documents including in depth knowledge of handling legacy media. KSB serves enterprise customers primarily in the banking, insurance and government sectors. Sales in KSB are project-based and can vary from year to year depending on the nature and number of projects in existence that year.

*Kodakit:*

- Kodakit is a platform that connects businesses with professional photographers to cater to their photography needs. Customers include global hotels and online travel agencies, real estate companies, marketplaces, advertising agencies and global brands.
- In October 2019, Kodak decided to discontinue the operation of Kodakit.

**Advanced Materials and 3D Printing Technology**
The Advanced Materials and 3D Printing Technology segment contains the Kodak Research Laboratories and associated new business opportunities and intellectual property licensing not directly related to other business divisions. Kodak conducts research and files patent applications with fundamental inventions from the Kodak Research Laboratories. Additionally, Kodak continues to file new patent applications in areas aligned with its core businesses. Via these core business patent applications along with the research inventions, Kodak maintains a large worldwide portfolio of pending applications and issued patents. Product solutions in Advanced Materials and 3D Printing are in the process of being commercialized, and there are new business opportunities with identified markets and customers.

Advanced Materials and 3D Printing Technology segment will also pursue partnership opportunities to commercialize functional materials and printed electronics technologies. These partnerships may include non-recurring engineering payments for Kodak efforts to further develop such technologies into products. Advanced Materials and 3D Printing Technology segment also provides a wide range of analytical services to external clients at market rates.

*Advanced Materials:*

- Advanced Materials is developing solutions for component smart materials based on the materials science inventions and innovations from the research laboratories. There are multiple applications that Kodak contemplates addressing in this category. The primary focus is on light blocking particles for the textile market.

*3D Printing:*

- 3D Printing concentrates on partnerships and/or licensing opportunities in micro 3D printing solutions such as printed electronics. In addition, for macro 3D printing, AM3D manufactures and sells a specialty material to a 3D printing customer.

*IP Licensing:*

- Kodak actively seeks opportunities to leverage its patents and associated technology in licensing and/or cross-licensing deals to support both revenue growth and its ongoing businesses. While revenues from these licensing activities tend to be unpredictable in nature, this segment carries the potential for revenue generation from intellectual property licensing and new materials businesses.

**Eastman Business Park**

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

**Segment Revenues**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2019 | 2018 | 2019 | 2018 |
| Print Systems | $ 213 | $ 217 | $ 612 | $ 660 |
| Enterprise Inkjet Systems | 29 | 39 | 90 | 103 |
| Kodak Software | 14 | 15 | 42 | 47 |
| Brand, Film and Imaging | 56 | 54 | 159 | 159 |
| Advanced Materials and 3D Printing Technology | 1 | 1 | 3 | 3 |
| Eastman Business Park | 2 | 3 | 7 | 7 |
| Consolidated total | $ 315 | $ 329 | $ 913 | $ 979 |

**Segment Operational EBITDA and Consolidated Loss from Continuing Operations Before Income Taxes**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2019 | 2018 | 2019 | 2018 |
| Print Systems | $ 20 | $ 11 | $ 32 | $ 20 |
| Enterprise Inkjet Systems | (3) | 2 | (6) | 3 |
| Kodak Software | 2 | 1 | 1 | 3 |
| Brand, Film and Imaging | (1) | (3) | (10) | (15) |
| Advanced Materials and 3D Printing Technology | (4) | (2) | (9) | (10) |
| Eastman Business Park | — | — | (1) | (3) |
| Depreciation and amortization | (14) | (17) | (43) | (54) |
| Restructuring costs and other | (3) | (9) | (7) | (13) |
| Stock based compensation | (1) | (2) | (6) | (5) |
| Consulting and other costs (1) | (2) | (4) | (7) | (11) |
| Idle costs (2) | (1) | (1) | (4) | (2) |
| Former CEO separation agreement compensation | — | — | (2) | — |
| Other operating (expense) income, net, excluding income from transition services agreement (3) | (12) | 10 | (14) | 12 |
| Interest expense (4) | (4) | (2) | (12) | (6) |
| Pension income excluding service cost component (4) | 26 | 35 | 79 | 99 |
| Other income (charges), net (4) | (6) | 4 | (7) | (13) |
| Consolidated (loss) income from continuing operations before income taxes | $ (3) | $ 23 | $ (16) | $ 5 |

(1) Consulting and other costs are primarily professional services and internal costs associated with certain corporate strategic initiatives.

(2) Consists of costs such as security, maintenance and utilities required to maintain land and buildings in certain locations not used in any Kodak operations and the costs, net of any rental income received, of underutilized portions of certain properties.

(3) $2 million and $4 million of income from the transition services agreement with the Purchaser was recognized in the quarter and year-to-date period ended September 30, 2019. The income was reported in Other operating (expense) income, net in the Consolidated Statement of Operations. Other operating (expense) income, net is typically excluded from the segment measure. However, the income from the transition services agreement was included in the segment measure.

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

**Segment Measure of Profit and Loss**

Kodak's segment measure of profit and loss is an adjusted earnings before interest, taxes, depreciation and amortization ("Operational EBITDA"). Operational EBITDA represents the earnings (loss) from continuing operations excluding the provision for income taxes; non-service cost components of pension and OPEB income; depreciation and amortization expense; restructuring costs; stock-based compensation expense; consulting and other costs; idle costs; former CEO separation agreement compensation; other operating (expense) income, net (unless otherwise indicated); goodwill impairment losses; interest expense; and other income (charges), net.

Kodak's segments are measured using Operational EBITDA both before and after allocation of corporate selling, general and administrative expenses. The segment earnings measure reported is after allocation of corporate SG&A as this most closely aligns with U.S. GAAP. Research and development activities not directly related to the other segments are reported within the Advanced Materials and 3D Printing Technology segment.

**Change in Segment Measure of Profitability**

During the first quarter of 2019 the segment measure was changed to exclude the costs, net of any rental income received, of underutilized portions of certain properties. Additionally, the allocation of costs from EBP to the Brand, Film and Imaging segment and Advanced Materials and 3D Printing Technology segment as tenants of EBP and to each of the segments as users of shared corporate space at the global headquarters changed. Prior year results have been revised to reflect these changes.

**2019 COMPARED WITH 2018**
**THIRD QUARTER RESULTS OF OPERATIONS**

| | Three Months Ended September 30, | | | | | Nine Months Ended September 30, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in millions) | 2019 | % of Sales | 2018 | % of Sales | $ Change | 2019 | % of Sales | 2018 | % of Sales | $ Change |
| Revenues | $ 315 | | $ 329 | | $ (14) | $ 913 | | $ 979 | | $ (66) |
| Cost of revenues | 262 | | 279 | | (17) | 778 | | 846 | | (68) |
| Gross profit | 53 | 17% | 50 | 15% | 3 | 135 | 15% | 133 | 14% | 2 |
| Selling, general and administrative expenses | 48 | 15% | 53 | 16% | (5) | 161 | 18% | 170 | 17% | (9) |
| Research and development costs | 11 | 3% | 12 | 4% | (1) | 33 | 4% | 37 | 4% | (4) |
| Restructuring costs and other | 3 | 1% | 9 | 3% | (6) | 7 | 1% | 13 | 1% | (6) |
| Other operating expense (income), net | 10 | 3% | (10) | (3)% | 20 | 10 | 1% | (12) | (1)% | 22 |
| Loss from continuing operations before interest expense, other charges, net and income taxes | (19) | (6)% | (14) | (4)% | (5) | (76) | (8)% | (75) | (8)% | (1) |
| Interest expense | 4 | 1% | 2 | 1% | 2 | 12 | 1% | 6 | 1% | 6 |
| Pension income excluding service cost component | (26) | (8)% | (35) | (11)% | 9 | (79) | (9)% | (99) | (10)% | 20 |
| Other charges (income), net | 6 | 2% | (4) | (1)% | 10 | 7 | 1% | 13 | 1% | (6) |
| (Loss) earnings from continuing operations before income taxes | (3) | (1)% | 23 | 7% | (26) | (16) | (2)% | 5 | 1% | (21) |
| Provision for income taxes | 7 | 2% | 3 | 1% | 4 | 12 | 1% | 7 | 1% | 5 |
| (Loss) earnings from continuing operations | (10) | (3)% | 20 | 6% | (30) | (28) | (3)% | (2) | (0)% | (26) |
| Income (loss) from discontinued operations, net of income taxes | 5 | 2% | (1) | 0% | 6 | 206 | (23)% | — | 0% | 206 |
| Net (loss) income | $ (5) | (2)% | $ 19 | 6% | $ (24) | $ 178 | 19% | $ (2) | (0)% | $ 180 |

**Revenue**

**Current Quarter**

For the three months ended September 30, 2019 revenues declined $14 million compared with the same period in 2018, driven by volume declines and unfavorable pricing within Print Systems ($8 million and $5 million, respectively), volume declines in Enterprise Inkjet Systems ($9 million) and unfavorable foreign currency ($5 million). Intellectual property licensing revenue of $13 million related to the HuaGuang relationship entered into in the three months ended September 30, 2019 positively impacted results. See segment discussions for additional details.

**Year to date**

For the nine months ended September 30, 2019 revenues declined $66 million compared with the same period in 2018, driven by volume declines and unfavorable pricing and product mix within Print Systems ($29 million and $13 million, respectively), volume declines in Enterprise Inkjet Systems ($10 million), volume declines in Kodak Software ($4 million) and unfavorable foreign currency ($25 million). Intellectual property licensing revenue of $13 million related to the HuaGuang relationship positively impacted results. See segment discussions for additional details.

**Gross Profit**

**Current Quarter**

The improvement in gross profit for the three months ended September 30, 2019 of approximately $3 million compared with the same period in 2018 reflected intellectual property licensing revenue of $13 million related to the HuaGuang relationship and lower depreciation and amortization ($4 million). The gross profit improvements were largely offset by lower volume and unfavorable pricing and product mix in Print Systems ($2 million and $5 million, respectively), volume declines, equipment inventory write-downs due to lower selling prices combined with unfavorable manufacturing costs in Enterprise Inkjet Systems ($1 million and $4 million, respectively). See segment discussions for additional details.

**Year to date**

The improvement in gross profit for the nine months ended September 30, 2019 of approximately $2 million compared with the same period in 2018 reflected intellectual property licensing revenue of $13 million related to the HuaGuang relationship entered into in the three months ended September 30, 2019 and cost improvements in Brand, Film and Imaging ($7 million), lower aluminum costs ($3 million), refunds of aluminum tariffs paid by Kodak in the last half of 2018 in Print Systems ($2 million) and lower depreciation and amortization expense ($11 million). The positive impacts were offset by lower volume and unfavorable pricing and product mix in Print Systems ($3 million and $12 million, respectively), lower volume in Enterprise Inkjet Systems and Kodak Software (each $3 million), unfavorable product mix in Brand, Film and Imaging ($3 million), unfavorable manufacturing costs and equipment inventory write-downs in Enterprise Inkjet Systems ($7 million) and unfavorable foreign currency ($2 million). See segment discussions for additional details.

**Selling, General and Administrative Expenses**

Consolidated SG&A decreased $5 million for the quarter ended September 30, 2019 primarily due to lower investment in segment selling and marketing activities ($2 million) as well as lower consulting and project costs ($2 million). Consolidated SG&A decreased $9 million in the nine months ended September 30, 2019 primarily due to lower investment in segment selling and marketing activities ($8 million) and lower consulting and project costs ($4 million) partially offset by $2 million of compensation included in the former CEO separation agreement.

**Research and Development Costs**

Consolidated R&D expenses decreased $1 million and $4 million for the quarter and nine months ended September 30, 2019 primarily due to the reduced level of investment across the segments.

**Interest Expense**

Interest expense of $7 million was allocated to discontinued operations in the three months ended September 30, 2018. Interest expense of $7 million and $20 million was allocated to discontinued operations for the nine months ended September 30, 2019 and 2018, respectively.

**PRINT SYSTEMS SEGMENT**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| (in millions) | 2019 | 2018 | $ Change | 2019 | 2018 | $ Change |
| Revenues | $ 213 | $ 217 | $ (4) | $ 612 | $ 660 | $ (48) |
| Operational EBITDA | $ 20 | $ 11 | $ 9 | $ 32 | $ 20 | $ 12 |
| Operational EBITDA as a % of revenues | 9% | 5% | | 5% | 3% | |

**Revenues**

**Current Quarter**
The decrease in Print Systems revenues for the three months ended September 30, 2019 of approximately $4 million primarily reflected volume and pricing declines ($9 million and $3 million, respectively) in Prepress Solutions consumables, pricing declines in Electrophotographic Printing Solutions consumables and service ($2 million), as well as unfavorable foreign currency ($3 million) partially offset by the intellectual property licensing revenue related to the HuaGuang relationship ($13 million) and favorable product mix in Prepress Solutions equipment ($2 million).

**Year to Date**
The decrease in Print Systems revenues for the nine months ended September 30, 2019 of approximately $48 million primarily reflected volume and pricing declines ($23 million and $9 million, respectively) in Prepress Solutions consumables and service, volume declines and unfavorable pricing in Electrophotographic Printing Solutions consumables and service ($3 million and $5 million, respectively), unfavorable product mix in Electrophotographic Printing Solutions equipment ($3 million) and unfavorable foreign currency ($19 million) partially offset by the intellectual property licensing revenue related to the HuaGuang relationship ($13 million).

**Operational EBITDA**

**Current Quarter**
Print Systems Operational EBITDA for the three months ended September 30, 2019 improved $9 million compared to the prior year reflecting the intellectual property licensing revenue related to the HuaGuang relationship ($13 million), manufacturing cost improvements ($2 million) in Electrophotographic Printing Solutions, lower investment in sales and marketing activities ($1 million) and favorable foreign currency ($1 million) partially offset by pricing declines ($3 million) in Prepress Solutions consumables and service, unfavorable pricing in Electrophotographic Printing Solutions consumables and service and unfavorable manufacturing costs in Prepress Solutions (both $2 million).

**Year to Date**
Print Systems Operational EBITDA for the nine months ended September 30, 2019 improved $12 million compared to the prior year reflecting the intellectual property licensing revenue related to the HuaGuang relationship ($13 million), lower investment in sales and marketing activities ($4 million), lower manufacturing costs ($4 million) in Electrophotographic Printing Solutions, refunds of aluminum tariffs which were paid by Kodak in the last half of 2018 ($2 million) in Prepress Solutions consumables and the favorable impact of currency ($3 million) partially offset by volume and pricing declines ($3 million and $8 million, respectively) in Prepress Solutions consumables and service and unfavorable pricing in Electrophotographic Printing Solutions consumables and service ($4 million).

During 2018 U.S. tariffs imposed on aluminum purchases were included as part of the cost of printing plates sold. In January 2019, Kodak received retroactive exemptions on U.S. tariffs for aluminum. Due to the exemptions, all aluminum tariffs paid by Kodak in prior periods have been recognized as a cost reduction in the current year-to-date period.

**ENTERPRISE INKJET SYSTEMS SEGMENT**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2019** | **2018** | **$ Change** | **2019** | **2018** | **$ Change** |
| Revenues | $ 29 | $ 39 | $ (10) | $ 90 | $ 103 | $ (13) |
| Operational EBITDA | $ (3) | $ 2 | $ (5) | $ (6) | $ 3 | $ (9) |
| Operational EBITDA as a % of revenues | (10)% | 5% | | (7)% | 3% | |

**Revenues**

**Current Quarter**
The decline in Enterprise Inkjet Systems revenues for the three months ended September 30, 2019 of approximately $10 million primarily reflected lower volume of PROSPER systems ($5 million), lower volume of PROSPER components ($2 million) and lower volume of VERSAMARK service and consumables ($1 million) due to declines in the installed base of VERSAMARK systems.

**Year to Date**
The decline in Enterprise Inkjet Systems revenues for the nine months ended September 30, 2019 of approximately $13 million primarily reflected lower volume of VERSAMARK service and consumables ($6 million) due to declines in the installed base of VERSAMARK systems, lower volume of PROSPER components ($6 million), lower volume of PROSPER systems ($1 million) and the unfavorable impact of currency ($2 million) partially offset by higher volume of PROSPER service and consumables ($3 million).

**Operational EBITDA**

**Current Quarter**
Enterprise Inkjet Systems Operational EBITDA for the three months ended September 30, 2019 declined $5 million driven by equipment inventory write-downs due to pricing declines combined with unfavorable manufacturing costs, and lower volume in PROSPER components (each $1 million) and unfavorable manufacturing costs for both Prosper annuities and Versamark (each $1 million).

**Year to Date**
Enterprise Inkjet Systems Operational EBITDA for the nine months ended September 30, 2019 declined $9 million primarily driven by equipment inventory write-downs due to pricing declines in PROSPER systems ($5 million), lower volume of PROSPER components ($2 million), lower volume of VERSAMARK service and consumables ($2 million) due to declines in the installed base of VERSAMARK systems, unfavorable manufacturing costs ($2 million) and the unfavorable impact of currency ($1 million) partially offset by volume improvements in PROSPER service and consumables ($2 million) and a lower level of investment in R&D activities ($2 million).

**KODAK SOFTWARE SEGMENT**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| (in millions) | 2019 | 2018 | $ Change | 2019 | 2018 | $ Change |
| Revenues | $ 14 | $ 15 | $ (1) | $ 42 | $ 47 | $ (5) |
| Operational EBITDA | $ 2 | $ 1 | $ 1 | $ 1 | $ 3 | $ (2) |
| Operational EBITDA as a % of revenues | 14% | 7% | | 2% | 6% | |

**Revenues**
Kodak Software revenues for the three and nine months ended September 30, 2019 declined $1 million and $5 million primarily due to lower volumes ($1 million and $4 million, respectively).

**Operational EBITDA**

**Current Quarter**
Kodak Software Operational EBITDA improved $1 million for the quarter ended September 30, 2019 primarily due to a lower level of investment in sales and marketing and R&D activities ($1 million).

**Year to Date**

Kodak Software Operational EBITDA declined $2 million in the nine months ended September 30, 2019 compared to the prior year period primarily due to lower volumes ($3 million).

**BRAND, FILM AND IMAGING SEGMENT**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| (in millions) | 2019 | 2018 | $ Change | 2019 | 2018 | $ Change |
| Revenues | $ 56 | $ 54 | $ 2 | $ 159 | $ 159 | $ — |
| Operational EBITDA | $ (1) | $ (3) | $ 2 | $ (10) | $ (15) | $ 5 |
| Operational EBITDA as a % of revenues | (2)% | (6)% | | (6)% | (9)% | |

**Revenues**

**Current Quarter**
The increase in Brand, Film and Imaging revenues for the three months ended September 30, 2019 of approximately $2 million was primarily due to higher revenues in Motion Picture ($3 million) driven by higher volume of color negative film and volume improvements in Industrial Film and Chemicals ($2 million) partially offset by volume declines in Consumer Inkjet Systems ($2 million), driven by lower sales of ink to the existing installed base of printers.

**Year to Date**
Brand, Film and Imaging revenues for the nine months ended September 30, 2019 were unchanged compared to the prior year period primarily due to volume declines in Consumer Inkjet Systems ($5 million) driven by lower sales of ink to the existing installed base of printers and lower volume in Industrial Film and Chemicals and unfavorable foreign currency (each $3 million) partially offset by favorable volume in Motion Picture ($7 million).

**Operational EBITDA**

**Current Quarter**
Brand, Film and Imaging Operational EBITDA for the three months ended September 30, 2019 improved $2 million compared with the prior year quarter primarily reflecting higher volume and favorable product mix in Motion Picture ($1 million).

**Year to Date**
Brand, Film and Imaging Operational EBITDA for the nine months ended September 30, 2019 improved $5 million compared with the prior year period primarily reflecting cost improvements across film manufacturing ($5 million), volumes improvements in Motion Picture ($2 million) and SG&A reductions ($2 million) offset by declines in Consumer Inkjet Systems driven by lower sales of ink to the existing installed base of printers and volume declines in Industrial Film and Chemicals (each $2 million).

**ADVANCED MATERIALS AND 3D PRINTING TECHNOLOGY SEGMENT**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| (in millions) | 2019 | 2018 | $ Change | 2019 | 2018 | $ Change |
| Revenues | $ 1 | $ 1 | $ — | $ 3 | $ 3 | $ — |
| Operational EBITDA | $ (4) | $ (2) | $ (2) | $ (9) | $ (10) | $ 1 |
| Operational EBITDA as a % of revenues | N/M | N/M | | N/M | N/M | |

**Operational EBITDA**
Advanced Materials and 3D Printing Technology Operational EBITDA for the three months ended September 30, 2019 declined by approximately $2 million primarily reflecting a change in product mix, the product mix in the current year period includes less licensing revenue.  Advanced Materials and 3D Printing Technology Operational EBITDA for the nine months ended September 30, 2019 improved $1 million primarily due to a lower level of investment in R&D activities.

**EASTMAN BUSINESS PARK SEGMENT**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| (in millions) | 2019 | 2018 | $ Change | 2019 | 2018 | $ Change |
| Revenues | $ 2 | $ 3 | $ (1) | $ 7 | $ 7 | $ — |
| Operational EBITDA | $ — | $ — | $ — | $ (1) | $ (3) | $ 2 |
| Operational EBITDA as a % of revenues | 0% | 0% | | (14)% | (43)% | |

**Operational EBITDA**
Eastman Business Park Operational EBITDA for the nine months ended September 30, 2019 improved by $2 million compared to the prior year period primarily due to lower utility and maintenance costs.

**RESTRUCTURING COSTS AND OTHER**

Kodak recorded $3 million and $8 million of charges for the quarter and nine months ended September 30, 2019, respectively, $1 million of which was reported in Income from discontinued operations for the nine months ended September 30, 2019 in the Consolidated Statement of Operations, with the remainder reported as Restructuring costs and Other.

Kodak made cash payments related to restructuring of approximately $3 million and $7 million during the quarter and nine months ended September 30, 2019, respectively.

The restructuring actions implemented in the first nine months of 2019 are expected to generate future annual cash savings of approximately $10 million. These savings are expected to reduce future annual Cost of revenues and SG&A expenses by $2 million and $8 million, respectively.  Kodak began realizing a portion of these savings in the first nine months and expects the majority of the annual savings to be in effect by the end of the first quarter of 2020 as actions are completed.

## LIQUIDITY AND CAPITAL RESOURCES

Kodak is facing liquidity challenges due to operating losses and negative operating cash flow. Kodak has eliminated current debt service requirements by paying down the Term Credit Agreement using proceeds from the sale of FPD and refinancing the remaining balance through the issuance of the Convertible Notes which do not require any debt service until conversion or maturity on November 1, 2021. However, Kodak has significant cash requirements to fund ongoing operations, restructuring programs, pension and other postretirement obligations, and other obligations. Kodak's plans to return to positive cash flow include growing revenues profitably, reducing operating expenses, simplifying the organizational structure, generating cash from selling or leasing underutilized assets and paring investment in new technology by eliminating or delaying product development programs. The current cash balance outside of China, recent trend of negative cash flow and lack of certainty regarding the return to positive cash flow raise substantial doubt about Kodak's ability to continue as a going concern.

Refer to the Going Concern section of Note 1, "Basis of Presentation and Recent Accounting Pronouncements"; Note 7, "Debt and Finance Leases," and Note 8, "Redeemable, Convertible Series A Preferred Stock" in the Notes to Financial Statements for further discussion. Refer to Note 2, "Cash, Cash Equivalents and Restricted Cash" for a reconciliation of cash, cash equivalents and restricted cash.

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash, cash equivalents, restricted cash and cash in assets held for sale | $ 279 | $ 267 |

***Cash Flow Activity***

| (in millions) | Nine Months Ended September 30, 2019 | 2018 | Change |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net cash used in operating activities | $ (4) | $ (79) | $ 75 |
| Cash flows from investing activities: | | | |
| Net cash provided by (used in) investing activities | 315 | (16) | 331 |
| Cash flows from financing activities: | | | |
| Net cash used in financing activities | (295) | (10) | (285) |
| Effect of exchange rate changes on cash | (4) | (8) | 4 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | $ 12 | $ (113) | $ 125 |

***Operating Activities***

Net cash used in operating activities improved $75 million for the nine months ended September 30, 2019 as compared with the corresponding period in 2018 primarily due to lower cash spend on inventory, higher build of accounts payable (including the impact of the supply contract with HuaGuang), the allocation of $10 million of the proceeds from the divestiture of FPD as consideration for a brand license, the allocation of $13 million of the proceeds from entering the relationship with HuaGuang as consideration for an intellectual property license and the receipt of a $15 million prepayment for transition services, products, and other services as a part of the divestiture of FPD partially offset by lower cash operating earnings.

***Investing Activities***

Net cash provided by investing activities improved $331 million for the nine months ended September 30, 2019 as compared with the corresponding period in 2018 due to the proceeds from the sale of FPD and reduced capital spend.

***Financing Activities***

Net cash used in financing activities increased $285 million in the nine months ended September 30, 2019 as compared with the corresponding period in 2018 driven by the repayment of the Term Credit Agreement partially offset by the issuance of the Convertible Notes.

***Sources of Liquidity***

Available liquidity includes cash balances and the unused portion of the ABL Credit Agreement. The ABL Credit Agreement had $20 million of net availability ("Excess Availability") as of September 30, 2019. The amount of available liquidity is subject to fluctuations and includes cash balances held by various entities worldwide. At September 30, 2019 and December 31, 2018 approximately $84 million and $117 million, respectively, of cash and cash equivalents were held within the U.S. and approximately $141 million and $131 million, respectively, of cash and cash equivalents and cash in assets held for sale were held outside the U.S. Cash balances held outside the U.S. are generally required to support local country operations and may have high tax costs or other limitations that delay the ability to repatriate, and therefore may not be readily available for transfer to other jurisdictions. Kodak utilizes cash balances outside the U.S. to fund needs in the U.S. through the use of inter-company loans.

As of September 30, 2019 and December 31, 2018, outstanding inter-company loans to the U.S. were $403 million and $390 million, respectively, which includes short-term inter-company loans from Kodak's international finance center of $105 million and $92 million, respectively. In China, where approximately $71 million and $59 million of cash and cash equivalents was held as of September 30, 2019 and December 31, 2018, respectively, there are limitations related to net asset balances that may impact the ability to make cash available to other jurisdictions in the world. Under the terms of the ABL Credit Agreement, the Company is permitted to invest up to $100 million in subsidiaries and joint ventures that are not party to the ABL Credit Agreement.

On April 16, 2019, the Purchaser paid Kodak $15 million in the U.S. as a prepayment for transition services and products and services to be provided by Kodak to the Purchaser. Kodak has provided a $15 million guaranty, supported by cash collateral in China, to the Purchaser. The Purchaser has the option to satisfy its payment obligations to Kodak through a reduction of the prepayment balance or in cash. When the Purchaser satisfies its payment obligations to Kodak by utilizing its prepayment balance, Kodak can follow a guaranty amendment process to reduce the amount of its guaranty and cash collateral supporting the prepayment balance. As of September 30, 2019, the remaining prepayment balance is $8 million and the cash collateral supporting Kodak's guaranty is $10 million.

On August 3, 2019 Kodak reached an agreement with Lucky HuaGuang Graphics Co. Ltd ("HuaGuang") to establish a strategic relationship in the People's Republic of China. The relationship is comprised of an agreement for Kodak to sell its shares of the Kodak (China) Graphic Communication Co. Ltd. entity which includes the offset printing plates facility in Xiamen, China, and related assets and liabilities, to HuaGuang, a supply agreement for HuaGuang to help Kodak fulfill customer demand and a license agreement under which Kodak licenses its plates technology to HuaGuang with the intent of expanding the plates market in China. The relationship was established at a closing on September 1, 2019. At the closing Kodak received net cash proceeds of $30 million, of which $13 million was received in the United States. As part of the closing, an escrow of $14 million was established by Kodak in China to secure minimum payments required under the supply agreement.

Under the ABL Credit Agreement, if Excess Availability ($20 million at September 30, 2019) falls below 12.5% of lender commitments ($18.75 million at September 30, 2019), Kodak would be required to be in compliance with the minimum Fixed Charge Coverage Ratio (the only financial covenant in the ABL Credit Agreement) and could become subject to cash dominion control. In addition to Eligible Cash, the borrowing base is supported by Eligible Receivables, Eligible Inventory and Eligible Equipment. To the extent the assets supporting the borrowing base decline and/or letters of credit issued under the ABL Credit Agreement increase, if the remaining assets included in the borrowing base are not sufficient to support the required Excess Availability amount, funding of Eligible Cash may be required. Kodak intends to maintain Excess Availability above the minimum threshold. Since Excess Availability was greater than 12.5% of lender commitments as of September 30, 2019, Kodak is not required to have a minimum Fixed Charge Coverage Ratio of 1.0 to 1.0. As of September 30, 2019 Fixed Charges exceeded EBITDA (as defined in the ABL Credit Agreement) by approximately $2 million, therefore, the Fixed Charge Coverage Ratio was less than 1.0 to 1.0.

During the second quarter of 2017, the Company reduced the amount of outstanding letters of credit issued under the ABL Credit Agreement by $20 million, which increased the amount of Excess Availability by a corresponding amount, enabling the Company to release Eligible Cash. The reduction of outstanding letters of credit was primarily attributable to the substitution of partially collateralized surety bonds in place of outstanding letters of credit. As a result of the Company's credit ratings, the Company was required to provide $6 million in letters of credit to the issuers of the surety bonds during the third quarter of 2018. The Company could be required to provide up to an additional $13 million of letters of credit to the issuers of the surety bonds in the future to fully collateralize the bonds.

As of September 30, 2019 and December 31, 2018, Kodak had funded $14 million and $3 million, respectively, to the Eligible Cash account held with the ABL Credit Agreement Administrative Agent which was classified as Restricted cash in the Consolidated Statement of Financial Position, supporting the Excess Availability amount.

**Defined Benefit Pension and Postretirement Plans**
Kodak made net contributions (funded plans) or paid benefits (unfunded plans) totaling approximately $15 million to its defined benefit pension and postretirement benefit plans in the first nine months of 2019. For the balance of 2019, the forecasted contribution (funded plans) and benefit payment (unfunded plans) requirements for its pension and postretirement plans are approximately $6 million.

**Capital Expenditures**
Cash flow from investing activities included $11 million of capital expenditures for the nine months ended September 30, 2019. Kodak expects approximately $15 million to $20 million of total capital expenditures for 2019.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

Kodak maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in Kodak's reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including Kodak's Executive Chairman and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Kodak's management, with participation of Kodak's Executive Chairman and Chief Financial Officer, has evaluated the effectiveness of Kodak's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Kodak's Executive Chairman and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, Kodak's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

### Changes in Internal Control over Financial Reporting

There have been no changes in Kodak's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, Kodak's internal control over financial reporting.

## Part II. OTHER INFORMATION

### Item 1. Legal Proceedings

Kodak's Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes in various stages of litigation, as well as civil litigation and disputes associated with former employees and contract labor. The tax matters, which comprise the majority of the litigation matters, are primarily related to federal and state value-added taxes and income taxes. Kodak's Brazilian operations are disputing these matters and intend to vigorously defend their position. Kodak routinely assesses these matters as to the probability of ultimately incurring a liability in its Brazilian operations and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of September 30, 2019, Kodak's Brazilian Operations maintained accruals of approximately $3 million for claims aggregating approximately $145 million inclusive of interest and penalties where appropriate. In connection with assessments and litigation in Brazil, local regulations may require Kodak's Brazilian Operations to post security for a portion of the amounts in dispute. Generally, any encumbrances on the Brazilian assets would be removed to the extent the matter is resolved in Kodak's favor.

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

### Item 1A. Risk Factors

Reference is made to the Risk Factors set forth in Part II, Item 1A. of the Q2 2019 Form 10-Q. The Risk Factors remain applicable from the Q2 2019 Form 10-Q; however, Kodak notes that the amendment to the Company's certificate of incorporation to restrict certain transfers of common stock and the tax asset protection plan referenced under "Risk Factors—Risks Related to the Company's Common Stock—The resale of a significant portion of the Company's securities registered for resale or certain accumulations or transfers of the Company's securities could result in a change of control of the Company and the loss of favorable tax attributes" have now been implemented.

### Item 2. Unregistered Sales of Securities and Use of Proceeds

**(a) Sales of unregistered securities during the quarter ended September 30, 2019**

Not Applicable

**(b) Issuer purchases of equity securities during the quarter ended September 30, 2019**

Repurchases related to Stock Compensation Plans (1):

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum That May Be Purchased under the Plans or Programs |
|---|---|---|---|---|
| July 1 through 31 | 2,093 | $ 2.40 | n/a | n/a |
| August 1 through 31 | — | $ — | n/a | n/a |
| September 1 through 30 | 32,191 | $ 2.38 | n/a | n/a |
| Total | 34,284 | $ 2.38 | | |

(1) These repurchases are made pursuant to the terms of the 2013 Omnibus Incentive Plan providing the Company the right to withhold amounts deliverable under the plan to satisfy minimum statutory tax withholding requirements.

### Items 3, 4 and 5.

Not applicable.

### Item 6. Exhibits

**Eastman Kodak Company**
**Index to Exhibits**

| | |
|---|---|
| (3.1) | Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company (Incorporated by reference to Exhibit (4.1) of the Company's Registration Statement on Form S-8 as filed on September 3, 2013). |
| (3.2) | Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company (Incorporated by reference to Exhibit (3.1) of the Company's Current Report on Form 8-K as filed November 16, 2016). |
| (3.3) | Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company (Incorporated by reference to Exhibit (3.1) of the Company's Current Report on Form 8-K as filed September 12, 2019). |
| (3.4) | Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Eastman Kodak Company (Incorporated by reference to Exhibit (3.2) of the Company's Current Report on Form 8-K as filed September 12, 2019). |
| (3.5) | Fourth Amended and Restated By-Laws of Eastman Kodak Company (Incorporated by reference to Exhibit (3.1) of the Company's Current Report on Form 8-K as filed on May 25, 2017). |
| (4.1) | Form Amendment, dated September 12, 2019, to Form of Secured Convertible Note, filed herewith. |
| (4.2) | Tax Asset Protection Plan, dated as of September 12, 2019, between Eastman Kodak Company and Computershare Trust Company, N.A., as Rights Agent, which includes as Exhibit A the forms of Rights Certificate and Election to Exercise and as Exhibit B the form of Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of the Company with respect to the Participating Preferred Stock of the Company (Incorporated by reference to Exhibit (4.1) of the Company's Current Report on Form 8-K as filed September 12, 2019). |
| *(10.1) | Eastman Kodak Company 2013 Omnibus Incentive Plan Form of Quarterly Director Restricted Stock Unit Award Agreement (Immediate Vesting), filed herewith. |
| (31.1) | Certification signed by James V. Continenza, filed herewith. |
| (31.2) | Certification signed by David E. Bullwinkle, filed herewith. |
| (32.1) | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by James V. Continenza, filed herewith. |
| (32.2) | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by David E. Bullwinkle, filed herewith. |
| (101.CAL) | XBRL Taxonomy Extension Calculation Linkbase. |
| (101.INS) | XBRL Instance Document. |
| (101.LAB) | XBRL Taxonomy Extension Label Linkbase. |
| (101.PRE) | XBRL Taxonomy Extension Presentation Linkbase. |
| (101.SCH) | XBRL Taxonomy Extension Schema Linkbase. |
| (101.DEF) | XBRL Taxonomy Extension Definition Linkbase |

* Management compensatory plan or arrangement

## 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 thereunto duly authorized.

**EASTMAN KODAK COMPANY**
(Registrant)

**Date November 7, 2019**

**/s/ Eric Samuels**
**Eric Samuels**
**Chief Accounting Officer and Corporate Controller**
**(Chief Accounting Officer and Authorized Signatory)**

**Exhibit (10.1)**

**EASTMAN KODAK COMPANY**

**2013 OMNIBUS INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AWARD AGREEMENT**

This Restricted Stock Unit Award Agreement (this "Award Agreement") evidences an award of restricted stock units ("RSUs") by the Company under the Eastman Kodak Company 2013 Omnibus Incentive Plan (the "Plan"). Capitalized terms not defined in the Award Agreement have the meanings given to them in the Plan.

**Name of Grantee:** **<Participant Name>**

**Grant Date:** **<Date>**

**Number of RSUs:** **<Number of RSUs>**

**Vesting Schedule:**

| Vesting Date | Percentage Vesting |
|---|---|
| <Date> | 100% |

The RSUs are being granted to you as a Director in payment of your quarterly cash retainer as approved by the Committee. The RSUs represent 75% of the quarterly cash retainer and a check for the remaining 25% will be provided to cover taxes.

The RSUs are granted under the Plan, which is hereby incorporated by reference, and the RSUs are subject to all of the terms of the Plan. You may not sell, assign, pledge, encumber or otherwise transfer the RSUs in any manner.

The RSUs are fully vested on the date of the grant, and the Company will issue to you one Share for each vested RSU within approximately 30 days thereafter, but in no event later than March 15th of the year following the year in which the RSUs vest. You will not have the rights of a shareholder of the Company with respect to the Shares underlying the RSUs until the such Shares are actually issued to you.

The RSUs are not eligible for deferral under the Eastman Kodak Company Deferred Compensation Plan for Directors, and any elections under such plan will not be applied to the RSUs.

The RSUs are intended to be exempt from Section 409A under the short-term deferral exception thereto, and this Award Agreement shall be interpreted and administered consistent with such intention.

By accepting the RSUs, the Grantee agrees to be subject to the terms and conditions of the Plan and this Award Agreement.

**Exhibit (31.1)**

**CERTIFICATION**

I, James V. Continenza, certify that:

1) I have reviewed this Form 10-Q;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James V. Continenza
James V. Continenza
Executive Chairman

Date: November 7, 2019

**Exhibit (31.2)**

**CERTIFICATION**

I, David E. Bullwinkle, certify that:

1) I have reviewed this Form 10-Q;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David E. Bullwinkle
David E. Bullwinkle
Chief Financial Officer

Date: November 7, 2019

**Exhibit (32.1)**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. Section 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Eastman Kodak Company (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James V. Continenza, Executive Chairman of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James V. Continenza
James V. Continenza
Executive Chairman

Date: November 7, 2019

**Exhibit (32.2)**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. Section 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Eastman Kodak Company (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David E. Bullwinkle, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David E. Bullwinkle
David E. Bullwinkle
Chief Financial Officer

Date: November 7, 2019

# AMENDMENT TO SECURED CONVERTIBLE PROMISSORY NOTE

This Amendment, dated as of September 12, 2019 (this "**Amendment**") to that certain Secured Convertible Promissory Note, principal amount $[•] (the "**Note**"), issued on May 24, 2019, is entered into by and among Eastman Kodak Company, a New Jersey corporation (the "**Company**") and [•] (the "**Holder**").

WHEREAS, the Company and the Holder are parties to that certain Note Purchase Agreement, dated as of May 20, 2019 (the "**Purchase Agreement**"), pursuant to which the Company issued the Note to the Holder; and

WHEREAS, pursuant to Section 18 of the Note, any provision of the Note may be amended or waived, with the prior written consent of the Company and the Holder, and the Company and the Holder desire to amend the Note as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Holder hereby amend the Note as follows:

**1.** **Amendment to the Note**. Section 8 of the Note is hereby amended to add a new Section 8.9 as follows:

> "8.9 Notwithstanding the foregoing adjustments in this Section 8, if the Company issues rights as a dividend to holders of the Common Stock pursuant to the Tax Asset Protection Plan, dated as of September 12, 2019, between the Company and Computershare Trust Company, N.A., no adjustment to the Conversion Rate shall be made pursuant to Sections 8.1 through 8.6 hereof as a result of the issuance of such rights. In the event any such rights are exchanged or exercised prior to a Conversion, the Conversion Rate shall be appropriately adjusted to reflect the effect of such exercise or exchange. The Holder, the Other Holders and the Company acting in good faith, shall agree on such adjustment, which may be based on (i) the effect of such exchange or exercise on the trading price of the Common Stock, (ii) the number of shares of Common Stock or, if applicable, junior participating preferred stock outstanding after giving effect to any such exchange or exercise of rights, as the case may be, occurring prior to a Conversion, and the amount of any proceeds received by the Company upon any exercise of rights, or (iii) such other basis of adjustment as the Holder, the Other Holders and the Company may agree acting in good faith."

**2.** **Continued Validity**. Unless otherwise modified or supplemented by the terms of this Amendment, all terms and conditions of the Note shall continue in full force and effect.

**3.** **Governing Law**. All terms of and rights under this Amendment will be governed by and construed in accordance with the laws of the State of New York.

**4.** **Amendments and Waivers**. Any term of this Amendment may be amended, or the observance of any term thereof may be waived, only with the written consent of the Company and the Holder.

5. **Counterparts**. This Amendment may be executed in one or more counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same document.

[*Signature page follows*]

**IN WITNESS WHEREOF,** the parties have executed this Amendment as of the date first above written.

COMPANY:

**EASTMAN KODAK COMPANY**

By:
Name:
Title:

HOLDER:

[•]

By:
Name:
Title:

*[Signature Page to Amendment to Secured Convertible Promissory Note]*