

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
 FORM 10-Q

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

For the quarterly period ended March 31, 2001
 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: 716-724-4000

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Number of Shares Outstanding at March 31, 2001 |
|--------------------------------|--|
| Common Stock, \$2.50 par value | 290,047,550 |

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Eastman Kodak Company and Subsidiary Companies
 CONSOLIDATED STATEMENT OF EARNINGS
 (in millions, except per share data)

| | First Quarter | |
|--|---------------|---------|
| | 2001 | 2000 |
| Sales | \$2,975 | \$3,095 |
| Cost of goods sold | 1,908 | 1,834 |
| | ----- | ----- |
| Gross profit | 1,067 | 1,261 |
| Selling, general and administrative expenses | 574 | 568 |
| Research and development costs | 189 | 201 |
| Goodwill amortization | 42 | 36 |
| | ----- | ----- |
| Earnings from operations | 262 | 456 |
| Interest expense | 61 | 37 |
| Other income (charges) | 23 | 19 |
| | ----- | ----- |
| Earnings before income taxes | 224 | 438 |
| Provision for income taxes | 74 | 149 |
| | ----- | ----- |
| NET EARNINGS | \$ 150 | \$ 289 |
| | ===== | ===== |
| Basic earnings per share | \$.52 | \$.93 |

| | | |
|--|--------|--------|
| Diluted earnings per share | \$.52 | \$.93 |
| Earnings used in basic and diluted earnings per share | \$ 150 | \$ 289 |
| Number of common shares used in basic earnings per share | 290.1 | 310.2 |
| Incremental shares from assumed conversion of options | 0.4 | 2.1 |
| Number of common shares used in diluted earnings per share | 290.5 | 312.3 |

CONSOLIDATED STATEMENT OF
RETAINED EARNINGS

| | | |
|--|---------|---------|
| Retained earnings at beginning of period | \$7,869 | \$6,995 |
| Net earnings | 150 | 289 |
| Cash dividends declared | (128) | (136) |
| Retained Earnings at end of period | \$7,891 | \$7,148 |

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

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Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in millions)

| | March 31, 2001 | Dec. 31, 2000 |
|---|-------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 231 | \$ 246 |
| Marketable securities | 20 | 5 |
| Receivables | 2,549 | 2,653 |
| Inventories | 1,833 | 1,718 |
| Deferred income tax charges | 561 | 575 |
| Other | 269 | 294 |
| Total current assets | 5,463 | 5,491 |
| PROPERTIES | | |
| Land, buildings and equipment at cost | 12,925 | 12,963 |
| Less: Accumulated depreciation | 7,051 | 7,044 |
| Net properties | 5,874 | 5,919 |
| OTHER ASSETS | | |
| Goodwill (net of accumulated amortization of \$797 and \$778) | 1,005 | 947 |
| Long-term receivables and other noncurrent assets | 1,902 | 1,767 |
| Deferred income tax charges | 86 | 88 |
| TOTAL ASSETS | \$14,330 | \$14,212 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|-----------------------------|----------|----------|
| CURRENT LIABILITIES | | |
| Payables | \$ 2,920 | \$ 3,275 |
| Short-term borrowings | 2,827 | 2,206 |
| Taxes - income and other | 605 | 572 |
| Dividends payable | 128 | 128 |
| Deferred income tax credits | 35 | 34 |
| Total current liabilities | 6,515 | 6,215 |

| | | |
|---|----------|----------|
| OTHER LIABILITIES | | |
| Long-term borrowings | 1,125 | 1,166 |
| Postemployment liabilities | 2,601 | 2,610 |
| Other long-term liabilities | 678 | 732 |
| Deferred income tax credits | 73 | 61 |
| | ----- | ----- |
| Total liabilities | 10,992 | 10,784 |
| SHAREHOLDERS' EQUITY | | |
| Common stock at par* | 978 | 978 |
| Additional paid in capital | 861 | 871 |
| Retained earnings | 7,891 | 7,869 |
| Accumulated other comprehensive loss | (572) | (482) |
| | ----- | ----- |
| | 9,158 | 9,236 |
| Less: Treasury stock at cost* | 5,820 | 5,808 |
| | ----- | ----- |
| Total shareholders' equity | 3,338 | 3,428 |
| | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$14,330 | \$14,212 |
| | ===== | ===== |

* Common stock: \$2.50 par value, 950 million shares authorized, 391 million shares issued at March 31, 2001 and December 31, 2000. Treasury stock at cost consists of approximately 101 million shares at March 31, 2001 and December 31, 2000. Total comprehensive income was \$60 million and \$202 million for the quarters ended March 31, 2001 and March 31, 2000, respectively.

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

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

| | First Quarter | |
|--|---------------|--------|
| | 2001 | 2000 |
| Cash flows from operating activities: | | |
| Net earnings | \$ 150 | \$ 289 |
| Adjustments to reconcile to net cash used in operating activities: | | |
| Depreciation and amortization | 230 | 216 |
| Provision for deferred taxes | 29 | 8 |
| Gain on sale of assets | (15) | (32) |
| Decrease in receivables | 98 | 54 |
| Increase in inventories | (123) | (234) |
| Decrease in liabilities excluding borrowings | (398) | (444) |
| Other items, net | (19) | (184) |
| | ----- | ----- |
| Total adjustments | (198) | (616) |
| | ----- | ----- |
| Net cash used in operating activities | (48) | (327) |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Additions to properties | (196) | (140) |
| Proceeds from sale of assets | 15 | 44 |
| Acquisitions, net of cash acquired | (189) | (1) |
| Cash flows related to sales of businesses | (6) | (6) |
| Marketable securities - purchases | (20) | (33) |
| Marketable securities - sales | 5 | 27 |
| | ----- | ----- |
| Net cash used in investing activities | (391) | (109) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Net increase in borrowings with original maturity of 90 days or less | 476 | 612 |
| Proceeds from other borrowings | 567 | 388 |
| Repayment of other borrowings | (448) | (358) |
| Dividends to shareholders | (128) | (139) |
| Exercise of employee stock options | 7 | 5 |
| Stock repurchases | (44) | (46) |
| | ----- | ----- |
| Net cash provided by financing activities | 430 | 462 |
| | ----- | ----- |
| Effect of exchange rate changes on cash | (6) | (5) |

| | | |
|--|--------|--------|
| Net (decrease) increase in cash and cash equivalents | (15) | 21 |
| Cash and cash equivalents, beginning of year | 246 | 373 |
| | ----- | ----- |
| Cash and cash equivalents, end of quarter | \$ 231 | \$ 394 |
| | ===== | ===== |

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

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Eastman Kodak Company and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION

The accompanying financial statements have been prepared by the Company in accordance with the accounting policies stated in the 2000 Annual Report and should be read in conjunction with the Notes to Financial Statements appearing therein. In the opinion of the Company, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation have been included in the financial statements. The financial statements are based in part on estimates and have not been audited by independent accountants. PricewaterhouseCoopers LLP will audit the annual statements.

NOTE 2: COMMITMENTS AND CONTINGENCIES

The Company and its subsidiary companies are involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environmental, and health and safety matters, which are being handled and defended in the ordinary course of business. There are no such matters pending that the Company and its General Counsel expect to be material in relation to the Company's business, financial position or results of operations. Refer to Item 1, Legal Proceedings, on page 17.

NOTE 3: DERIVATIVES AND MARKET RISK

The Company, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates, commodity prices, and interest rates, which may adversely affect its results of operations and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Company may enter into derivative contracts. The fair value of these contracts is reported in other current assets and/or current liabilities in the Company's Statement of Financial Position.

The Company has entered into foreign currency forward contracts that are designated as cash flow hedges of exchange rate risk related to forecasted foreign currency denominated intercompany sales. At March 31, 2001, the Company had cash flow hedges for the Euro, the Canadian dollar, and the Australian dollar, with maturity dates ranging from April 2001 to December 2001.

At March 31, 2001, the fair value of all open foreign currency forward contracts was a pre-tax unrealized loss of \$5 million. The offsets to this loss are a \$7 million pre-tax loss deferred to other comprehensive income, and a \$2 million pre-tax gain reported in other income (charges). Additionally, realized pre-tax losses of \$1 million, related to closed foreign currency contracts, have been deferred in other comprehensive income. If all amounts deferred to other comprehensive income were to be realized, \$8 million of pre-tax losses would be reclassified into cost of goods sold over the next twelve months, based on sales to third parties. During the first quarter of 2001, a pre-tax loss of \$5 million was reclassified from other comprehensive income to cost of goods sold. Hedge ineffectiveness was insignificant.

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The Company does not apply hedge accounting to the foreign currency forward contracts used to offset currency-related changes in the fair value of foreign currency-denominated assets and liabilities. These contracts are marked to market through earnings at the same time that the exposed assets and liabilities are remeasured through earnings (both in other income). The majority of the contracts held by the Company are

denominated in Euros, Australian dollars, Chinese renminbi, and Canadian dollars.

The Company has entered into silver forward contracts that are designated as cash flow hedges of price risk related to forecasted worldwide silver purchases. The Company used silver forward contracts to minimize virtually all of its exposure to increases in silver prices in 2000. At March 31, 2001, the Company had open forward contracts, with maturity dates ranging from April 2001 to January 2002, hedging virtually all of its planned silver requirements through January 2002.

At March 31, 2001, the fair value of open contracts was a pre-tax unrealized loss of \$26 million, recorded in other comprehensive income. If this amount were to be realized, \$25 million (pre-tax) of this loss would be reclassified into cost of goods sold within the next twelve months. During the first quarter of 2001, a realized pre-tax loss of \$6 million was recorded in cost of goods sold. At March 31, 2001, realized pre-tax losses of \$6 million, related to closed silver contracts, were recorded in other comprehensive income. These losses will be reclassified into cost of goods sold as silver-containing products are sold (all within the next twelve months). Hedge ineffectiveness was insignificant.

The Company is exposed to interest rate risk primarily through its borrowing activities and, to a lesser extent, through investments in marketable securities. The Company utilizes U.S. dollar denominated as well as foreign currency denominated borrowings to fund its working capital and investment needs. The majority of short-term and long-term borrowings are in fixed-rate instruments. There is inherent roll-over risk for borrowings and marketable securities as they mature and are renewed at current market rates. The extent of this risk is not predictable because of the variability of future interest rates and business financing requirements.

The Company's financial instrument counterparties are high quality investment or commercial banks with significant experience with such instruments. The Company manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. The Company has procedures to monitor the credit exposure amounts. The maximum credit exposure at March 31, 2001 was not significant to the Company.

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NOTE 4: ACQUISITIONS

On February 7, 2001, the Company completed its acquisition of substantially all of the imaging businesses of Bell & Howell Company. The purchase price of this stock and asset acquisition was \$135 million in cash. The acquired units provide business customers worldwide with service and maintenance for document imaging components, micrographic-related equipment, supplies, parts and service.

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

SUMMARY

(in millions, except per share data)

| | First Quarter | | |
|----------------------------|---------------|---------|--------|
| | 2001 | 2000 | Change |
| Sales | \$2,975 | \$3,095 | - 4% |
| Earnings from operations | 262 | 456 | -43 |
| Net earnings | 150 | 289 | -48 |
| Basic earnings per share | .52 | .93 | -44 |
| Diluted earnings per share | .52 | .93 | -44 |

2001

The Company's results for the quarter included the following:

Pre-tax charges of approximately \$10 million (\$7 million after tax) associated with the exit of one of the Company's equipment manufacturing facilities. The costs for this effort, which began in 1999, related to relocation of certain manufacturing operations. Additional relocation costs of approximately \$10 million pre-tax, will be recorded in the second quarter of 2001 in connection with these actions.

Excluding the above, net earnings were \$157 million, while basic and

diluted earnings per share were both \$.54.

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Sales by Operating Segment
(in millions)

| | First Quarter | | |
|--------------------------|---------------|---------|--------|
| | 2001 | 2000 | Change |
| Consumer Imaging | | | |
| Inside the U.S. | \$ 645 | \$ 690 | - 7% |
| Outside the U.S. | 752 | 817 | - 8 |
| | ----- | ----- | --- |
| Total Consumer Imaging | 1,397 | 1,507 | - 7 |
| | ----- | ----- | --- |
| Health Imaging | | | |
| Inside the U.S. | 268 | 245 | + 9 |
| Outside the U.S. | 293 | 289 | + 1 |
| | ----- | ----- | --- |
| Total Health Imaging | 561 | 534 | + 5 |
| | ----- | ----- | --- |
| Kodak Professional | | | |
| Inside the U.S. | 149 | 155 | - 4 |
| Outside the U.S. | 218 | 257 | -15 |
| | ----- | ----- | --- |
| Total Kodak Professional | 367 | 412 | -11 |
| | ----- | ----- | --- |
| Other Imaging | | | |
| Inside the U.S. | 347 | 306 | +13 |
| Outside the U.S. | 303 | 336 | -10 |
| | ----- | ----- | --- |
| Total Other Imaging | 650 | 642 | + 1 |
| | ----- | ----- | --- |
| Total Sales | \$2,975 | \$3,095 | - 4% |
| | ===== | ===== | === |

Earnings from Operations by Operating Segment
(in millions)

| | First Quarter | | |
|--------------------------------|---------------|-------|--------|
| | 2001 | 2000 | Change |
| Consumer Imaging | \$ 61 | \$184 | -67% |
| Percent of Sales | 4.4% | 12.2% | |
| Health Imaging | \$108 | \$118 | - 8% |
| Percent of Sales | 19.3% | 22.1% | |
| Kodak Professional | \$ 49 | \$ 68 | -28% |
| Percent of Sales | 13.4% | 16.5% | |
| Other Imaging | \$ 44 | \$ 86 | -49% |
| Percent of Sales | 6.8% | 13.4% | |
| | ---- | ---- | --- |
| Total Earnings from Operations | \$262 | \$456 | -43% |
| | ===== | ===== | === |

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Net Earnings by Operating Segment
(in millions)

| | First Quarter | | |
|--------------------|---------------|-------|--------|
| | 2001 | 2000 | Change |
| Consumer Imaging | \$ 51 | \$140 | -64% |
| Percent of Sales | 3.7% | 9.3% | |
| Health Imaging | \$ 73 | \$ 80 | - 9% |
| Percent of Sales | 13.0% | 15.0% | |
| Kodak Professional | \$ 31 | \$ 34 | - 9% |
| Percent of Sales | 8.4% | 8.3% | |

| | | | |
|--|-------|-------|------|
| Other Imaging | \$ 35 | \$ 56 | -38% |
| Percent of Sales | 5.4% | 8.7% | |
| | ---- | ---- | --- |
| Total of segments | \$190 | \$310 | -39% |
| Percent of Sales | 6.4% | 10.0% | |
| Interest expense | (61) | (37) | |
| Other corporate items | 2 | 5 | |
| Income tax effects on above items and taxes not allocated to segments | 19 | 11 | |
| | ---- | ---- | |
| Total Net Earnings | \$150 | \$289 | |
| | ==== | ==== | |

COSTS AND EXPENSES
(in millions)

| | First Quarter | | |
|---|---------------|---------|--------|
| | 2001 | 2000 | Change |
| Gross profit | \$1,067 | \$1,261 | -15% |
| Percent of Sales | 35.9% | 40.7% | |
| Selling, general and administrative expenses | \$ 574 | \$ 568 | + 1% |
| Percent of Sales | 19.3% | 18.4% | |
| Research and development costs | \$ 189 | \$ 201 | - 6% |
| Percent of Sales | 6.4% | 6.5% | |
| Goodwill amortization | \$ 42 | 36 | +17% |
| Percent of Sales | 1.4% | 1.2% | |

2001 COMPARED WITH 2000

First Quarter

Consolidated

Reported first quarter sales were \$2.975 billion, down 4% from the previous year. Adjusting for portfolio changes, revenues decreased 5%. Portfolio adjustments relate to the August 2000 divestiture of Eastman Software, the February 2001 acquisition of substantially all of Bell and Howell's Imaging business and contributions from the Kodak Diamic Ltd. joint venture with Mitsubishi, which was formed January 1, 2001. These portfolio changes contributed a net \$22 million of revenues in the first quarter of 2001.

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Exchange had a \$105 million negative impact on revenue in the quarter due to changes in the Euro, Yen and Australian dollar exchange rates. Adjusting for portfolio changes and exchange, revenues were down 1% on a year-over-year basis.

For 2001, the Company amended its definition of digital to better reflect the digital product components of our Commercial and Government Systems (C&GS) business. Under this new definition, digital revenues in the quarter were \$776 million, an increase of 7% year over year and represented 26% of the Company's total first quarter sales. In the quarter, sales of Consumer Digital products and services decreased 4%, primarily due to lower year-over-year sales of CD media and consumer digital cameras (although consumer digital camera unit volumes increased). Sales of Commercial Digital products and services increased by 12%, reflecting strong product sales in the Health Imaging segment and the C&GS business. Earnings from operations associated with these sales resulted in profit of \$2 million, primarily driven by the Health Imaging segment and the C&GS business.

By way of comparison, under the previous digital definition (adjusted for the divestiture of Eastman Software), sales during the first quarter were \$712 million, a year-over-year increase of 2%. Losses under this definition increased by \$5 million, from \$1 million to \$6 million.

Emerging markets sales posted a 5% year-on-year decline for the first quarter. The emerging market portfolio accounted for approximately 19% of Kodak's worldwide sales in the quarter. The portfolio showed sales growth in Greater Russia (+15%), but declines in Greater China (-10%), Asia Area (-9%), Latin America (-3%), and Eastern Europe, Africa and the Middle East (-2%). The declines are reflective of general economic weakening

in many emerging market countries. China is being impacted by a combination of somewhat slower economic growth, continuing high level of trade inventories and irregular trade flows.

First quarter gross profit declined by 4.8 percentage points, from 40.7% to 35.9%, year over year. The elements responsible for this margin decline include productivity, price/mix, and exchange. Year-over-year productivity was down approximately 1.5 percentage points due to inventory reduction initiatives. Year-over-year price declines reduced gross profit margins by 2.3 percentage points. Quarter sequentially, however, price was flat. Exchange subtracted approximately one percentage point from the gross profit margin rate.

SG&A increased approximately 1% from \$568 million in the first quarter of 2000 to \$574 million in the first quarter of 2001 and also increased as a percent of sales from 18.4% to 19.3%. This increase was partially due to spending increases in those parts of the business experiencing sales growth, and acquisitions of businesses with SG&A rates higher than Kodak's average rate. SG&A excluding advertising increased from \$441 million to \$466 million and increased from 14.3% to 15.7% as a percentage of sales.

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R&D decreased from \$201 million in the first quarter of 2000 to \$189 million in the first quarter of 2001, a slight decrease as a percent of sales from 6.5% to 6.4%. This reflects a somewhat slower rate of spending on projects as the Company implements cost constraints in a weakening economic environment.

Earnings from operations were \$262 million, compared with \$456 million in the comparable 2000 quarter. This decline primarily reflects the lower gross profit margin discussed previously.

Net earnings were \$150 million, or \$.52 per share, compared with \$289 million, or \$.93 per share in the first quarter of 2000. Excluding charges of \$.02 per share in both the first quarters of 2001 and 2000 related primarily to the exit of an equipment manufacturing facility, net earnings were \$.54 per share on an operational basis, compared with \$.95 per share on an operational basis last year. Earnings were reduced by lower gross profit margins, the adverse effects of foreign exchange and higher interest expense, reflecting higher debt levels. The effective tax rate was 33% in the first quarter of 2001 and 34% in the first quarter of 2000.

Consumer Imaging

Worldwide Consumer Imaging sales in the first quarter declined 7%, essentially unchanged from the rate of decline experienced in the fourth quarter. Adjusted for the contributions of the Kodak Diamic Ltd. joint venture with Mitsubishi, revenues declined 8%. (Note: Kodak Japan Ltd. and Mitsubishi Paper Mills Ltd. formed Kodak Diamic Ltd. as a sales subsidiary, effective January 1, 2001, which should allow Kodak to improve its color paper market share in Japan). Adjusted for both Kodak Diamic Ltd. and unfavorable exchange, worldwide Consumer Imaging year-over-year sales declined by 5%. U.S. sales declined by 7% and sales outside the U.S. declined 8% as reported, and were down 2% with unfavorable exchange excluded.

Despite unfavorable exchange and a continued weak economy, Consumer Imaging experienced sales growth on a worldwide basis in the first quarter for one-time-use cameras, Advantix film, reloadable cameras, and Picture Maker kiosks and related media.

The majority of the year-over-year Consumer Imaging sales decline can be attributed to a significant decline in revenue (-67%) associated with on-site photofinishing equipment placements, as the U.S. market, that is beginning to reach saturation, awaits the availability of new digital minilabs.

From a geographic perspective, the segment experienced weak sales performance in most areas of the world including the U.S. (-7%), Western Europe (-4% excluding exchange), and Emerging Markets (-6% excluding exchange). However, Russia continued to show strong growth of 19% and Mexico was up 13%.

Worldwide film sales to dealers (including 35mm film, Advantix film, and one-time-use cameras) in the first quarter declined by 5%, reflecting a 2% volume decline, negative 1% price/mix (unfavorable price was partially offset by favorable mix) and a negative 3% exchange impact. U.S. film sales to dealers increased by 6%, reflecting a 5% volume increase and 1% positive price/mix impact. Outside the U.S., film sales

to dealers declined by 12%, reflecting a 4% volume decline, negative 3% price/mix and 6% unfavorable exchange.

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The U.S. film industry was down 1% in the first quarter versus 2000, which reflects an improvement in the rate of decline from the fourth quarter. Despite this decline, it should be noted that 5% more pictures were taken in the first quarter of 2001 than in the first quarter of 1999.

During the first quarter, Kodak continued to successfully shift consumers to the differentiated, higher value MAX and Advantix product lines. In the U.S., MAX and Advantix films combined grew to more than 65% of Kodak's total consumer roll film revenues. This movement in the value mix increased 8 percentage points year over year and compares favorably to the 62% recorded in the fourth quarter of 2000.

Worldwide paper volume in the first quarter declined slightly versus 2000, with U.S. volume down mid-single digits and volume outside the U.S. flat, with pricing generally trending lower.

SG&A expenses for the segment decreased 4% from \$318 million to \$306 million, but increased as a percent of sales from 21.1% to 21.9%. R&D decreased 17% from \$87 million to \$72 million.

In the first quarter, Consumer Imaging earnings from operations decreased by 67% or \$123 million year over year. The earnings decline in the first quarter was driven by the combined effects of sales declines and reduced gross profit margins. The reduction in gross profit margins reflects higher manufacturing costs, as lower production volumes resulted in higher per unit fixed cost absorption. Net earnings decreased 64% or \$89 million, from \$140 million in 2000 to \$51 million in 2001.

Health Imaging

In the first quarter, worldwide sales in the Health Imaging Segment increased 5% year over year, or 9% when adjusted for the impact of exchange. U.S. sales increased 9% while sales outside the U.S. increased 1% as reported, but were up 8% with exchange excluded. Sales in emerging markets were up 11%, or 14% adjusted for exchange.

Sales of digital products (including laser printers, digital media, digital capture equipment and Picture Archiving and Communications Systems (PACS)) increased 15% year over year. Placements of DryView laser imagers increased 36% over first quarter 2000. DryView media sales increased 44% year over year, while sales of digital capture and PACS products increased 100%. Wet laser imaging sales continued their expected declines from last year.

Sales of traditional products, including analog film, equipment, chemistry and services, declined 4% year over year, but decreased 1% when adjusted for the impact of exchange. For traditional analog products (excluding specialty films), year-over-year sales declined 9% reflecting modest volume increases offset by lower prices and unfavorable exchange. Dental sales grew modestly while sales of Mammography and Oncology specialty products grew 15%.

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In the quarter, SG&A expenses for the segment increased 7% year over year from \$86 million to \$92 million and as a percent of sales from 16.1% to 16.4%. The increase primarily relates to marketing and sales investments for new product introductions in the expanded digital solutions business. R&D expenses amounted to 6.4% of sales, up from 6.2% last year. The increase in R&D spending is focused on digital product development.

Earnings from operations declined from \$118 million to \$108 million. Excluding the effects of exchange, earnings increased 3%, reflecting increased sales level. Net earnings decreased 9% or \$7 million, from \$80 million in 2000 to \$73 million in 2001.

Kodak Professional

Kodak Professional worldwide first quarter revenues declined 11% from the previous year, and 8% when adjusted for unfavorable exchange. Sales declines were seen in several product categories, including color reversal film, graphics film, and professional digital cameras. Sales were impacted both by ongoing digital substitution and continued economic weakness in certain markets worldwide. Sales increases were recorded for wide format inkjet paper, thermal paper and scanners.

In the quarter, SG&A expenses for the Kodak Professional segment decreased 10% year over year, from \$72 million to \$65 million, while R&D spending declined from \$34 million to \$26 million.

Kodak Professional earnings from operations decreased 28% from the year ago quarter, due primarily to lower gross margins driven by adverse pricing, lower sales volumes, unfavorable exchange and lower manufacturing productivity. Net earnings decreased 9% or \$3 million, from \$34 million in 2000 to \$31 million in 2001.

Operational improvements in the Kodak Polychrome Graphics (KPG) joint venture resulted in the joint venture returning to positive earnings and cash flow during the first quarter. While improvement initiatives at the joint venture have not yet been fully implemented, substantial progress has been made in correcting the operational problems observed in previous quarters. It is expected that year-on-year quarterly comparisons of KPG's performance will remain favorable throughout 2001.

Other Imaging

First quarter Other Imaging Segment sales increased 1% on a year-over-year basis. When adjusted for portfolio actions, sales were flat. Excluding the impact of portfolio and foreign exchange, sales increased 4%. Segment sales growth in the quarter was led by strong sales performance in the Commercial & Government Systems unit and continued growth in the Entertainment Imaging business.

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In the quarter, SG&A expenses for the segment increased from \$91 million to \$111 million, and increased as a percent of sales from 14.2% to 17.1%, reflecting higher costs associated with online initiatives.

Earnings from operations for the Other Imaging Segment were down \$42 million, from \$86 million to \$44 million in the first quarters of 2000 and 2001, respectively. This decline is primarily a result of increased losses from consumer digital cameras and writeable CD media, partially offset by gains in the Commercial and Government Systems business. Net earnings decreased 38% or \$21 million, from \$56 million in 2000 to \$35 million in 2001.

RESTRUCTURING PROGRAMS AND COST REDUCTION

During the second and third quarters of 2001, Kodak intends to implement a series of cost reduction actions, which are expected to result in pre-tax charges totaling \$375 million to \$450 million, the majority of which will be recorded in the second quarter. It is anticipated that these actions will result in a reduction of approximately 3,000 to 3,500 jobs worldwide. The anticipated savings from these actions are expected to total approximately \$50 million in 2001 and have a run rate impact, by the end of 2002, of between \$200 million and \$250 million.

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THE EURO

The Treaty on European Union provided that an economic and monetary union (EMU) be established in Europe whereby a single European currency, the Euro, replaces the currencies of participating member states. The Euro was introduced on January 1, 1999, at which time the value of participating member state currencies was irrevocably fixed against the Euro and the European Currency Unit (ECU) was replaced at the rate of one Euro to one ECU. For the three-year transitional period ending December 31, 2001, the national currencies of member states will continue to circulate, but as sub-units of the Euro. New public debt will be issued in Euros and existing debt may be redenominated into Euros. At the end of the transitional period, Euro banknotes and coins will be issued, and the national currencies of the member states will cease to be legal tender no later than June 30, 2002. The countries that adopted the Euro on January 1, 1999 are Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal, and Spain. Greece will now be part of the transition. The Company has operations in all of these countries.

As a result of the Euro conversion, it is possible that selling prices of the Company's products and services will experience downward pressure, as current price variations among countries are reduced due to easy comparability of Euro prices across countries. Prices will tend to harmonize, although value added taxes and transportation costs will still justify price differentials. Adoption of the Euro will probably accelerate existing market and pricing trends including pan-European

buying and general price erosion.

On the other hand, currency exchange and hedging costs will be reduced; lower prices and pan-European buying will benefit the Company in its purchasing endeavors; the number of banks and suppliers needed will be reduced; there will be less variation in payment terms; and it will be easier for the Company to expand into new marketing channels such as mail order and Internet marketing.

The Company is in the process of making changes in areas such as marketing and pricing, purchasing, contracts, payroll, taxes, cash management and treasury operations. Under the 'no compulsion no prohibition' rules, billing systems have been modified so that the Company is now able to show total gross, value added tax, and net in Euros on national currency invoices. This enables customers to pay in the new Euro currency if they wish to do so. Countries that have installed ERP/SAP software in connection with the Company's enterprise resource planning project are able to invoice and receive payments in Euros as well as in other currencies. Systems for pricing, payroll and expense reimbursements will continue to use national currencies until year-end 2001. The functional currencies of the Company's operations in affected countries will remain the national currencies until approximately May 2001 (except Germany and Austria (October 2001)), when they will change to the Euro. Systems changes for countries not on SAP (Finland and Greece) are also being implemented in 2001.

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LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities for the first quarter of 2001 was \$48 million. Net earnings, adjusted for depreciation and amortization, provided \$380 million of operating cash. This was offset by decreases in liabilities (excluding borrowings) of \$398 million related primarily to the payment of accrued wage dividend, incentive compensation and normal seasonality. Also offsetting was an increase in inventories as sensitized goods inventory improvements were offset by increases in equipment inventories. Net cash used in investing activities of \$391 million for the first quarter of 2001 was primarily for capital expenditures and acquisitions. The Company anticipates total capital spending of approximately \$800 million in 2001, a 15% decrease from full year 2000 levels. Net cash provided by financing activities of \$430 million for the first quarter of 2001 was primarily due to net increases in total borrowings of \$595 million, reduced by \$128 million of dividend payments and \$44 million for stock repurchases.

Cash dividends per share of \$.44, payable quarterly, were declared in the first quarter of 2001 and 2000. Total cash dividends of \$128 million and \$139 million were paid in the first quarter of 2001 and 2000, respectively.

During the first quarter, the Company repurchased about 0.9 million shares for approximately \$41 million as part of the \$2 billion authorization program approved April 16, 1999. The cumulative program total to date is approximately 32 million shares or \$1.8 billion. As of March 2, 2001, the Company suspended the stock repurchase program in a move designed to accelerate debt reduction and increase financial flexibility to take advantage of acquisition opportunities.

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Item 3. Quantitative And Qualitative Disclosures About Market Risk

See NOTE 3, DERIVATIVES AND MARKET RISK.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

On October 6, 2000, the U.S. Environmental Protection Agency, Region 2, initiated an administrative enforcement action against the Company, alleging violations of air monitoring requirements under the Resource Conservation and Recovery Act (RCRA), the law that regulates the management of hazardous waste. These issues arose as the result of an inspection conducted by EPA at the Company's Kodak Park manufacturing facility in Rochester, New York in May 1999. The complaint, alleging six counts of failing to test and monitor certain valves, containers, and pumps at Kodak Park, seeks a penalty of \$303,064 and an Order

requiring the Company to come into compliance within sixty days.

Although the Company does not dispute the allegations with respect to some equipment, many of the Agency's allegations are based on its more expansive interpretation of the applicability of the hazardous waste program to equipment that the Company believes to be process equipment (and therefore exempt). Settlement discussions are ongoing.

Item 5. Other Information

On April 11, 2001, Eastman Kodak Company announced that Patricia F. Russo will join the Company as President and Chief Operating Officer effective April 16, 2001, reporting to Chairman and Chief Executive Officer Daniel A. Carp. Russo will oversee the day-to-day operations of Kodak's operating divisions and serve as the CEO's strategic partner in pursuing the business opportunities created by the convergence of imaging and information management technologies.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits and financial statement schedules required as part of this report are listed in the index appearing on page 19.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed or required to be filed for the quarter ended March 31, 2001.

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 May 11, 2001

E. Mark Rajkowski
Controller

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Eastman Kodak Company and Subsidiary Companies
Index to Exhibits and Financial Statement Schedules

Exhibit
Number
Page

| | | |
|---------|--|----|
| (3) B. | By-laws, as amended through April 24, 2001. | 20 |
| (10) O. | Eastman Kodak Company 1997 Stock Option Plan, as amended, effective as of March 13, 2001. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1999, Exhibit 10.) | 34 |
| X. | Robert H. Brust Agreement dated December 20, 1999. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1999, Exhibit 10.) Amendment, dated February 8, 2001, to Agreement dated December 20, 1999. | 36 |
| Y. | Patricia F. Russo Agreement dated April 1, 2001. | 37 |

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Exhibit (3) B.

AS AMENDED THROUGH APRIL 24, 2001

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EASTMAN KODAK COMPANY
A New Jersey Corporation

BY-LAWS

Article 1

SHAREHOLDERS

Section 1. Annual Meeting.

The annual meeting of the shareholders of the corporation, for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held on such date in May in each year at such hour and place as shall be fixed by the Board of Directors.

Section 2. Notice of Annual Meeting.

Notice of the annual meeting of shareholders shall be given by mail or any other method permitted by law, not less than ten (10) nor more than sixty (60) days before the meeting, to each shareholder of record of the corporation entitled to vote at such meeting.

Section 3. Special Meetings.

Special meetings of the shareholders, except where otherwise provided by law or these by-laws, may be called to be held at such place and time as shall be fixed by the Board of Directors or by the Chairman of the Board of Directors or by the President and shall be called by the Chairman of the Board of Directors or by the President or by the Secretary at the request in writing of a majority of the members of the Board of Directors or at the request in writing of shareholders owning and holding, in the aggregate, shares entitled to at least one-tenth of the total number of votes represented by the entire amount of capital stock of the corporation issued and outstanding and entitled to vote at such meeting. Such request shall state the purpose or purposes of the proposed meeting.

Section 4. Notice of Special Meetings.

Notice of each special meeting of the shareholders shall be given in the manner required by law and by mailing, not less than ten (10) nor more than sixty (60) days before the meeting, a copy of the notice of

such meeting, stating the purpose or purposes for which the same is called, to each shareholder of record of the corporation entitled to vote at such meeting, directed to him at his address as it appears on the stock books of the corporation.

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Section 5. Quorum.

Unless otherwise provided by law or in the Certificate of Incorporation, the holders of shares entitled to cast a majority of the votes at a meeting of shareholders shall constitute a quorum at such meeting. Any action, other than the election of directors, shall be authorized by a majority of the votes cast at the meeting by the holders of shares entitled to vote thereon, unless a greater plurality is required by law or the Certificate of Incorporation. Less than a quorum may adjourn the meeting. No notice of an adjournment of the meeting shall be necessary if the Board of Directors does not fix a new record date for the adjourned meeting and if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

Section 6. Qualifications of Voters.

At each meeting of the shareholders, each holder of record of each outstanding share of common stock of the corporation shall be entitled to one vote on each matter submitted to a vote.

The Board of Directors of the corporation may fix in advance a date not less than ten (10) nor more than sixty (60) days preceding the date of any meeting of shareholders and not exceeding sixty (60) days preceding the date for the payment of any dividend, or for the allotment of any rights, or for the purpose of any other action, as a record date for the determination of shareholders entitled to notice of and to vote at any such meeting or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any such dividend or allotment of any right, or for the purpose of any other action, and in each case only shareholders of record at the close of business on the date so fixed shall be entitled to such notice of and vote at such meeting or to consent to or dissent from any proposal without a meeting, or to receive payment of such dividend or allotment of rights or take any other action, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after any such record date fixed as aforesaid.

Section 7. Voting.

The vote for the election of directors may be taken by ballot and shall be taken by ballot if requested by a shareholder and the vote upon any question before the meeting may be taken by ballot, each of which shall state the name of the shareholder voting, if the shareholder is voting in person, or if voting by proxy, then the name of such proxy, the number of shares of each class voted by him, and the number of his votes. A shareholder may vote either in person or by proxy.

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Section 8. Selection of Inspectors.

The Board of Directors may, in advance of any shareholders' meeting, appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, or if so appointed and any inspector fails to qualify or fails to appear or act and the vacancy is not filled by the Board of Directors in advance of the meeting, the person presiding at the meeting may, and on the request of any shareholder entitled to vote thereat shall, make such appointment. No person shall be elected a director at a meeting at which he has served as an inspector.

Section 9. Duties of Inspectors.

The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders.

Section 1. Directors and Their Term of Office.

The Board of Directors of the corporation shall consist of as many members, not less than nine (9) nor more than eighteen (18), as may from time to time be fixed by the Board of Directors. They shall, respectively, be at all times bona fide shareholders of the corporation. The directors shall be divided into three classes: Class I, Class II and Class III, each such class, as nearly as possible, to have the same number of directors. The term of office of the initial Class I directors shall expire at the annual meeting of the shareholders in 1988, the term of office of the initial Class II directors shall expire at the annual meeting of the shareholders in 1989, and the term of office of the initial Class III directors shall expire at the annual meeting of the shareholders in 1990.

Section 2. Election of Directors.

A class of directors of the corporation whose term is expiring, shall be elected at the annual meeting of the shareholders or at any meeting of the shareholders held in lieu of such annual meeting, which meeting, for the purposes of these by-laws, shall be deemed the annual meeting. At each annual meeting of the shareholders held after 1987, the directors chosen to succeed those whose terms have then expired shall be identified as being of the same class as the directors they succeed and shall be elected by the shareholders for a term expiring at the third succeeding annual meeting of the shareholders.

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Section 3. Vacancies.

In the event of a vacancy occurring in the Board of Directors, the remaining directors, by affirmative vote of a majority thereof, expressed at a duly called meeting of the directors, may fill such vacancy until the next succeeding annual meeting of shareholders including one resulting from an increase in the number of directors as provided in Section 5 of the Certificate of Incorporation.

Section 4. Compensation.

Directors may receive from the corporation such reasonable compensation for their services as such or for their services to the corporation in any other capacity, including a fixed sum and expenses for attendance at meetings of the Board and at meetings of committees of the Board as shall be determined from time to time by the Board of Directors.

Section 5. Regular Meetings of Directors.

The Board of Directors shall by resolution provide for the scheduling of regular meetings of the Board.

Section 6. Notice of Regular Meetings of Directors.

No notice shall be required to be given of any regular meeting of the Board of Directors except as the Board may require.

Section 7. Special Meetings of Directors.

Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, the President or any two members of the Board and may be held at any time and place within or without the State of New Jersey.

Section 8. Notice of Special Meetings of Directors.

Notice of each special meeting of the Board of Directors, stating the time, place, and purpose or purposes thereof, shall be given by the Chairman of the Board, the President, the Secretary or any two members of the Board to each member of the Board not less than two (2) days by mail or one (1) day by telegraph or telephone prior to the date specified for such meeting. Special meetings of the Board of Directors may also be held at any place and time, without notice, by unanimous consent of all the members or provided all the members are present at such meeting.

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Section 9. Quorum.

At any meeting of the Board of Directors a quorum shall consist of one-third of the total number thereof and, except as otherwise provided by law or these by-laws, a majority of such quorum shall decide any question that may come before the meeting. A majority of the members present at any regular or special meeting, although less than a quorum, may adjourn the same from time to time, without notice other than announcement at the meeting, until a quorum is present. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 10. Action of Directors or Committees Without a Meeting or When Members are in Separate Places.

Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Board of Directors or any committee of the Board may be taken without a meeting if, prior or subsequent to such action, all members of the Board or of such committee, as the case may be, consent thereto in writing and such written consents are filed with the minutes of the proceedings of the Board or committee.

Any or all directors may participate in a meeting of the Board or in a meeting of a committee of the Board by means of a conference telephone or any means of communication by which all persons participating in the meeting are able to hear each other as though he or they were present in person at such meeting.

Section 11. Common Directorship and Directors' Personal Interest.

No contract or other transaction between the corporation and one or more of its directors, or between the corporation and any other corporation, firm or association of any type or kind in which one or more of this corporation's directors are directors or are otherwise interested, shall be void or voidable solely by reason of such common directorship or interest, or solely because such director or directors are present at the meeting of the Board or a committee thereof which authorizes or approves the contract or transaction, or solely because his or their votes are counted for such purpose, (1) if the contract or other transaction is fair and reasonable as to the corporation at the time it is authorized, approved or ratified; (2) or the fact of the common directorship or interest is disclosed or known to the Board or committee and the Board or committee authorizes, approves or ratifies the contract or transaction by a vote sufficient for the purpose without counting the vote or votes of such common or interested director or directors; (3) or the fact of the common directorship or interest is disclosed or known to the shareholders and they authorize, approve, or ratify the contract or transaction.

Common or interested directors may be counted in determining the presence of a quorum at a Board or committee meeting at which a contract or transaction described in this by-law is authorized, approved or ratified.

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Section 12. Standard of Care and Reliance upon Opinions of Counsel, Reports, etc.

Directors and members of any committee of the Board of Directors shall discharge their duties to the corporation when they act in good faith and with that degree of diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions. In discharging their duties, directors and members of any such committee shall not be liable if, acting in good faith, they rely (a) upon the opinion of counsel for the corporation, or (b) upon written reports setting forth financial data concerning the corporation and prepared by an independent public accountant or certified public accountant or firm of such accountants, or (c) upon financial statements, books of account or reports of the corporation represented to them to be correct by the President, the officer of the corporation having charge of its books of account, or the person presiding at a meeting of the Board.

Section 13. Committees of the Board

In addition to the Executive Committee provided for in Article 3 below, the Board may from time to time appoint from among its members one or more other committees, each of which shall have one or more members. Each such committee shall have and may exercise such authority as is given to it by the Board, subject only to the limitations set forth in the New Jersey Business Corporation Act.

Article 3

EXECUTIVE COMMITTEE

Section 1. Members of Executive Committee and Their Term of Office.

There may be an Executive Committee, consisting of three (3) or more directors, one of whom shall be the President of the Corporation, appointed by the Board of Directors. They shall be appointed for the term of one (1) year but shall hold office until their successors are elected and have qualified. Any member of the Executive Committee, however, may be removed by the affirmative vote of a majority of the members of the Board of Directors.

Section 2. Vacancies.

In the event of a vacancy occurring in the Executive Committee, the Board of Directors, by resolution adopted by a majority of the entire board, shall fill such vacancy for the unexpired term.

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Section 3. Powers of Executive Committee.

Subject to such limitations and regulations as may be prescribed by law, including any pertinent section of the New Jersey Business Corporation Act, or these by-laws or by the Board of Directors, the Executive Committee shall have and may exercise all the authority of the Board of Directors in the intervals between the meetings of the Board.

Section 4. Regular Meetings.

Regular meetings of the Executive Committee shall be held on such days and at such hours as the Committee may by resolution fix and determine.

Section 5. Notice of Regular Meetings.

No notice shall be required to be given of any regular meeting of the Executive Committee.

Section 6. Special Meetings.

Special meetings of the Executive Committee may be called at any time by the Chairman of the Committee, the President or by any two members of the Committee and may be held at any place within or without the State of New Jersey and at any time.

Section 7. Notice of Special Meetings.

Notice of each special meeting of the Executive Committee, stating the time, place, and purpose or purposes thereof, shall be given by the Chairman of the Committee, the President or by the Secretary or by any two members of the Committee to each member of the Committee not less than two (2) days by mail or one (1) day by telegraph or telephone prior to the date specified for such meeting. Special meetings of the Executive Committee may also be held at any place and time, without notice, by unanimous consent of all the members or provided all the members are present at such meeting.

Section 8. Quorum.

At any meeting of the Executive Committee a majority of the entire Committee shall constitute a quorum and, except where otherwise provided by law or these by-laws, a majority of such quorum shall decide any question that may come before the meeting. A majority of the members present at any regular or special meeting, although less than a quorum, may adjourn the same from time to time, without notice other than announcement at the meeting, until a quorum is present. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

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Section 1. Officers Enumerated.

The officers of the corporation shall be a Chairman of the Board of Directors, a President, one or more Vice-Presidents, a Secretary, a Treasurer, a General Comptroller, and one or more Assistant Vice-Presidents, Assistant Secretaries, Assistant Treasurers, and Assistant Comptrollers, all of whom shall be elected annually by the Board of Directors. The Chairman of the Board and the President shall be directors of the corporation.

Section 2. Other Officers and Committees.

The Board may by resolution appoint such other officers, managers, agents, employees, or committees as it shall deem necessary, who shall hold their offices for such terms and shall have such powers and perform such duties in the management of the property and affairs of the corporation as shall be prescribed from time to time by the Board of Directors or in the by-laws. Any person may hold more than one office. The Board may also designate the officer who shall be the chief executive officer of the corporation.

Section 3. Term of Office.

The enumerated officers of the corporation shall be elected for the term of one (1) year but shall hold office until their successors are elected and have qualified. Any officer, however, may be removed at any time by the affirmative vote of a majority of the whole Board of Directors expressed at any duly called regular or special meeting of the Board of Directors.

Section 4. Vacancies.

If any vacancy shall occur among the officers of the corporation, the Board of Directors may fill such vacancy for the unexpired term.

Section 5. The Chairman of the Board of Directors.

The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and at all meetings of the shareholders and shall perform such other duties as the Board of Directors may properly direct.

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Section 6. The President.

The President shall have the general powers and duties of supervision and management of the property and affairs of the corporation which usually pertain to his office, and shall perform all such other duties as the Board of Directors may properly direct. In the absence of the Chairman of the Board, he shall preside at all meetings of the Board of Directors and at all meetings of the shareholders.

Section 7. The Vice-Presidents.

The Vice-President, and each Vice-President if there be more than one, shall have such powers and perform such duties as usually pertain to such office or as the Board of Directors may properly direct. In the absence or disability of the President, the Vice-President designated by the Board of Directors shall perform the duties and exercise the powers of the President.

Section 8. The Secretary.

The Secretary shall issue notices of all meetings of shareholders and of the directors and of the Executive Committee where notices of such meetings are required by law or these by-laws. He shall keep the minutes of meetings of shareholders and of the Board of Directors and of the Executive Committee. He shall sign such instruments as require his signature and shall perform such other duties as usually pertain to his office and as the Board of Directors may properly direct.

Section 9. The Treasurer.

The Treasurer shall have the care and custody of all the moneys and securities of the corporation. He shall cause to be entered in books of the corporation to be kept for that purpose, full and accurate accounts of all moneys received and paid on account of the corporation. He shall

sign such instruments as require his signature and shall perform such other duties as usually pertain to his office and as the Board of Directors shall properly direct.

Section 10. The General Comptroller.

The General Comptroller shall have the custody and operation of the accounting books and records of the corporation and shall establish and maintain adequate systems of internal control and audit to safeguard the assets of the corporation and shall perform such other duties as usually pertain to his office and as the Board of Directors may properly direct.

Section 11. Assistant Vice-Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Comptrollers.

The duties of the Assistant Vice-Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Comptrollers shall be such as usually pertain to their respective offices and as may be properly required of them by the Board of Directors from time to time.

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Section 12. Salaries.

The Board of Directors shall have the authority to fix the salaries of all officers of the corporation.

Article 5

INDEPENDENT ACCOUNTANTS

The Board of Directors shall annually elect independent accountants, and such independent accountants shall serve for one year or until removed by the Board of Directors, whichever occurs first. The annual election of independent accountants shall be subject to ratification by the shareholders. If the shareholders fail to ratify the independent accountants elected by the Board of Directors, the Board of Directors shall elect other independent accountants, who shall serve the remainder of the one-year term for which the independent accountants not ratified by the shareholders had been elected or until removed by the Board of Directors, whichever occurs first. No representative of the corporation's independent accountants shall be a director or officer of the corporation. The independent accountants shall perform such work, render such reports, and make such certificates in connection with the books and accounts and financial affairs of the corporation as the Board of Directors may from time to time direct, and, for that purpose, shall have access at all reasonable times to the records, books, accounts, and vouchers of the corporation, and shall be entitled to require such information and explanations as may be reasonably necessary in the performance of their duties.

Article 6

CAPITAL STOCK

Section 1. Stock Certificates.

Certificates of stock shall be issued only in numerical order. They shall be signed by or bear the facsimile signatures of the Chairman of the Board, the President, or one of the Vice-Presidents and the Secretary, the Treasurer, Assistant Secretary or Assistant Treasurer. They shall also be signed by or bear the facsimile signature of one of the Transfer Agents and of one of the Registrars of the corporation as permitted or required by law. In case any officer, Transfer Agent or Registrar who has signed or whose facsimile signature has been placed upon any such certificate shall have ceased to be such officer, Transfer Agent or Registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such signatory had not ceased to be such at the date of its issue.

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Section 2. Transfer of Shares.

Transfers of shares, except where otherwise provided by law or these by-laws, shall be made on the books of the corporation pursuant to

authority granted by power of attorney duly executed and filed by the holder thereof with one of the Transfer Agents, upon surrender of the certificate or certificates of such shares and in accordance with the provisions of the Uniform Commercial Code as adopted in New Jersey as amended from time to time.

Section 3. Transfer Agents and Registrars.

The Board of Directors may at any time appoint one or more Transfer Agents and/or Registrars for the transfer and/or registration of shares of stock, and may from time to time by resolution fix and determine the manner in which shares of stock of the corporation shall be transferred and/or registered by such Transfer Agent or Agents and Registrar or Registrars, respectively.

Section 4. Lost, Stolen or Destroyed Certificates.

Where a certificate for shares has been lost, apparently destroyed, or wrongfully taken and the owner thereof fails to so notify the corporation or the Transfer Agent within a reasonable time after he has notice of the fact and the Transfer Agent or the corporation registers a transfer of the shares before receiving such a notification, the owner shall be precluded from asserting against the corporation any claim for registering the transfer of such shares or any claim to a new certificate.

Subject to the foregoing, where the owner of shares claims that the certificate representing such shares has been lost, destroyed, or wrongfully taken, the corporation shall issue a new certificate in place of the original certificate if the registered owner thereof, or his legal representative, (a) requests the issue of a new certificate before the corporation has notice that the certificate has been acquired by a bona fide purchaser; (b) makes proof in such form as the corporation may prescribe of his ownership of the shares represented by the certificate and that the certificate has been lost, destroyed or wrongfully taken; (c) files either (i) an assumption of liability by a surety approved by the corporation under a blanket lost instrument indemnity bond, substantially in the form approved by the corporation, or (ii) an indemnity bond in such form and with such surety and in such amount (open or specified) as may be approved by the corporation, indemnifying the corporation and its transfer agents and registrars against all loss, cost and damage which may arise from issuance of a new certificate in place of the original certificate; and (d) satisfies any other reasonable requirements imposed by the corporation. Approvals or any requirements pursuant to this section by the corporation may be granted or imposed by the President, and Vice-President, the Secretary, any Assistant Secretary, or any other officer as authorized by the Board of Directors.

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Article 7

DIVIDENDS AND FINANCES

Section 1. Dividends.

Dividends may be declared by the Board of Directors and paid by the corporation at such times as the Board of Directors may determine, all pursuant to the provisions of the New Jersey Business Corporation Act.

Before payment of any dividend or making of any distribution of net profits there may be set aside out of the net profits of the corporation such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper and for such purposes as the Board shall think conducive to the interests of the corporation.

Section 2. Finances.

All funds of the corporation not otherwise employed shall be deposited in its name in, and shall be subject to application or withdrawal from, banks, trust companies or other depositories to be selected in accordance with and in such manner and under such conditions as may be authorized by, or pursuant to the authority of, resolution of the Board of Directors. All checks, notes, drafts and other negotiable instruments of the corporation shall be signed by such officer or officers, agent or agents, employee or employees as may be authorized by, or pursuant to the authority of, resolution of the Board of Directors. No officers, agents, or employees of the corporation, either singly or together, shall have power to make any check, note, draft, or

other negotiable instrument in the name of the corporation or to bind the corporation thereby, except as may be authorized in accordance with the provisions of this section.

Article 8

GENERAL

Section 1. Form of Seal.

The seal of the corporation shall be circular in form, with the words and figures "Eastman Kodak Company, Incorporated, 1901" in the outer circle, and a monogram of the letters EKC in the inner circle.

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Section 2. Indemnification of Directors, Officers and Employees.

To the full extent authorized or permitted by law, the corporation shall indemnify against his expenses and liabilities any person who is or was a director, officer, employee or agent of this corporation, or who is or was serving at the request of this corporation as a director, officer, trustee, employee or agent of any other enterprise, or the legal representative of any such person, and who is or was a party to or threatened to be made a party to any proceeding, civil, criminal or otherwise in respect of any past, present or future matter, by reason of the fact that such person is or was serving in any of the foregoing capacities. The determination as to whether an applicant has met the standards to entitle him to indemnification shall be made by a Committee of Directors, not less than three, appointed by the Board of Directors for the purpose, none of whom shall be parties to the proceedings, or if there are not at least three directors who are not parties to the proceedings, or if there are three such directors and the Board so directs, the determination shall be made in a written opinion by independent legal counsel designated by the Board of Directors. The question of indemnification shall not be submitted to shareholders unless so directed by the Board of Directors.

Article 9

AMENDMENTS

Except as may otherwise be required by law or by the Certificate of Incorporation, these by-laws may be amended, altered, or repealed, in whole or in part, by a vote of a majority of the members of the Board of Directors at the time in office at any regular or special meeting of the Board of Directors. The shareholders, by a majority of the votes cast at a meeting of the shareholders, may adopt, alter, amend or repeal the by-laws whether made by the Board of Directors or otherwise.

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Exhibit (10) 0.

March 13, 2001 Amendment
to
EASTMAN KODAK COMPANY 1997 STOCK OPTION PLAN

The Eastman Kodak Company 1997 Stock Option Plan is amended to add new Section 2.17 and Article 11 to read as follows and to replace Sections 1.1, 1.2, 2.1, 5.1, 6.1 in their entirety so as to read as follows:

1.1 Purpose

The purpose of the Plan is to provide motivation to the corporate officers of Kodak to put forth maximum efforts toward the continued growth, profitability, and success of Kodak by providing incentives through the ownership and performance of the Common Stock of Kodak. Toward this objective, the Committee may grant stock options or Stock Awards to the corporate officers of Kodak on the terms and subject to the conditions set forth in the Plan.

1.2 Term

The Plan shall become effective on February 13, 1997. Awards shall not be granted pursuant to the Plan after December 31, 2001.

2.1 Award

"Award" means any stock option or Stock Award granted under the Plan to a Participant by the Committee pursuant to the terms, conditions, restrictions and limitations of the Plan and those that the Committee may establish by the Award Notice or otherwise.

2.17 Stock Award

"Stock Award" means an Award granted pursuant to Article 11 in the form of shares of Common Stock or restricted shares of Common Stock.

5.1 In General

Awards shall be paid in the form of stock options pursuant to Article 7 or Stock Award pursuant to Article 11. All Awards shall be subject to the terms, conditions, restrictions and limitations of the Plan. The Committee may, in its sole judgment, subject an Award to such other terms, conditions, restrictions and/or limitations (including, but not limited to, the time and conditions of exercise and restrictions on transferability and vesting), provided they are not inconsistent with the terms of the Plan.

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6.1 Available Shares

The maximum number of shares of Common Stock, \$2.50 par value per share, of Kodak which shall be available for grant of Awards under the Plan during its term shall not exceed 2,780,000. (Such amount shall be subject to adjustment as provided in Section 6.2.) Any shares of Common Stock related to Awards which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such shares, are settled in cash in lieu of Common Stock, or are exchanged with the Committee's permission for Awards not involving Common Stock, shall not be available again for grant under the Plan. The shares of Common Stock available for issuance under the Plan shall be treasury shares.

ARTICLE 11 -- STOCK AWARDS

11.1 Grants

Awards may be granted in the form of Stock Awards. Stock Awards shall be awarded in such numbers and at such times during the term of the Plan as the Committee shall determine.

11.2 Award Restrictions

Stock Awards shall be subject to such terms, conditions, restrictions, and/or limitations, if any, as the Committee deems appropriate including, but not by way of limitation, restrictions on transferability and continued employment; provided, however, they are not inconsistent with the Plan. The Committee may modify or accelerate the delivery of a Stock Award under such circumstances as it deems appropriate.

11.3 Rights as Shareholders

During the period in which any restricted shares of Common Stock are subject to the restrictions imposed under Section 11.2, the Committee may, in its sole discretion, grant to the Participant to whom such restricted shares have been awarded all or any of the rights of a shareholder with respect to such shares, including, but not by way of limitation, the rights to vote such shares and receive dividends.

11.4 Evidence of Award

Any Stock Award granted under the Plan may be evidenced in such manner as the Committee deems appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates.

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Exhibit (10) X.

February 8, 2001 Amendment to December 20, 1999 Offer Letter

If Mr. Brust's employment terminates for any reason other than "cause," as defined in Mr. Brust's December 20, 1999 offer letter with the Company, after completing 5 years of service with the Company, his termination of employment will be for an Approved Reason for purposes of any stock options held by him at the time of his termination of employment.

April 1, 2001

Patricia F. Russo
New Jersey

Dear Pat:

We are delighted to extend you an offer to join Eastman Kodak Company ("Kodak") as its President and Chief Operating Officer. We are confident that your professional talent will be a tremendous asset to our company and we are enthusiastic about welcoming you as a member of our top management team. We look forward to you playing a crucial leadership role, working with others throughout the company to realize our potential.

This letter agreement outlines the role, compensation and benefits of your offer of employment with Kodak. Due to the strategic importance of your role, we are pleased to offer you a comprehensive package with the following elements. Given the large number of subjects covered by this letter, we anticipate that you may have questions about it. I would be pleased to discuss any aspect of the letter with you.

1. Position

Your position will be President and Chief Operating Officer, Eastman Kodak Company. You will report directly to Daniel A. Carp, Chairman and Chief Executive Officer, Eastman Kodak Company.

As President and Chief Operating Officer, your responsibilities and duties will be commensurate with the titles of these positions and include those duties and responsibilities normally performed by the President and Chief Operating Officer of a large publicly-held corporation operating worldwide. You will also perform such other duties and responsibilities that are consistent with the positions of President and Chief Operating Officer as the Chief Executive Officer or the Board may direct. The Board or Chief Executive Officer may also modify your duties and responsibilities from time to time with your consent.

2. Election to Board of Directors

Kodak management will recommend to the Board of Directors at its July 2001 meeting that you be elected a member of the Board effective July 25, 2001.

3. Location

You will be located at the Company's offices in Rochester, New York.

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4. Employment Date

You will commence your employment with Kodak as soon as possible, but not later than April 16, 2001.

5. Base Salary

Your base salary will be at the rate of \$900,000 per year. Your base salary will be reviewed no less frequently than annually for increase in the discretion of the Executive Compensation and Development Committee of the Board. Once increased, your base salary will not be decreased below the increased amount.

6. Management Variable Compensation Plan

You will be eligible to participate in Kodak's short-term variable pay plan for its management level employees, the Management Variable Compensation Plan ("MVCP"). Your annual target award under MVCP will be 100% of your base salary, making your total target annual compensation \$1.8 million. Your actual award for a year will vary based on company performance, your job performance, and such other criteria selected by the Executive Compensation and Development Committee (the "Compensation Committee") or the Chief Executive Officer.

For the current performance period, you will be granted a guaranteed prorated MVCP award. The amount of the prorated MVCP award will be at least that amount calculated by multiplying your total targeted annual MVCP award by a fraction, the numerator of which is your total number of full months of employment in 2001 and the denominator of which is 12. To the extent all or any part of this amount cannot be paid pursuant to MVCP, it will be paid to you outside of MVCP in 2002 at the same time that other participants of MVCP receive their awards. Even though all or part of this award may be paid outside the terms of MVCP, you nevertheless must be employed by Kodak on December 31, 2001 in order to receive this award, except as otherwise expressly provided herein. That portion, if any, paid outside of MVCP will not be subject to deferral nor will it be "benefits bearing." In other words, the amount will not be taken into account, or considered for any reason, for purposes of determining any company provided benefits or compensation to which you become eligible, including, by way of illustration and not by way of limitation, any pension or other retirement benefit.

7. Signing Incentive-Stock Option Award

To encourage you to join Kodak, you will receive as a incentive bonus a one-time grant of 500,000 options to acquire Kodak common stock. The options will be issued to you under the terms of the Eastman Kodak Company 1997 Stock Option Plan. The options will be granted to you on the first day of your employment. The options will have a term of 10 years and an exercise price equal to the mean between the high and low at which Kodak common stock trades on the New York Stock Exchange on the date they are granted. The options will vest 33 1/3% on each of the first three anniversaries of the date they are granted.

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If your employment terminates during the one-year period following the date the options are granted, you will forfeit the options unless your termination is due to death, Disability or for a Permitted Reason, as defined below. Thereafter, so long as the options remain unvested, they will be subject to forfeiture in the event of your termination of employment for any reason other than for death or for Disability or an Approved Reason, as those terms are defined below.

For purposes of this stock option incentive bonus, if Kodak terminates your employment without Cause, as defined below, or if you terminate your employment for Good Reason, as defined below, your termination will be for both a Permitted Reason and an Approved Reason. Consequently, in such event you will not forfeit by virtue of your termination any of the stock options granted to you prior to your termination of employment.

The specific terms, conditions and restrictions of your stock option grant, which will be consistent with those described in this letter agreement, will be contained in an award notice delivered to you shortly after the commencement of your employment.

8. Signing Incentive-Restricted Stock Award

As a further inducement to join Kodak, you will receive as a signing incentive, a one-time grant of 100,000 shares of restricted Kodak Common Stock. The restricted shares will be issued to you under the terms of the 2000 Omnibus Long-Term Compensation Plan (the "Omnibus Plan"). The restrictions on 25,000 shares will lapse on the third anniversary of the date of the commencement of your employment. The restriction on the remaining 75,000 shares will lapse on the fourth anniversary of the date of the commencement of your employment.

For so long as these shares remain restricted, they will be subject to forfeiture in the event of your termination of employment for any reason other than for death, Disability, termination by Kodak without Cause or termination by you for Good Reason. In the event of your death, all of the restrictions on the shares will immediately lapse on the date of your death and the shares will be paid to your estate. If your employment is terminated by Kodak without Cause or terminates due to Disability or Good Reason, you will receive a pro rata portion of the restricted shares based on your service with Kodak until your termination of employment. The remaining restricted shares will be immediately forfeited.

The specific terms, conditions and restrictions of your restricted stock grant, which will be consistent with those described in this letter agreement, will be contained in an award notice delivered to you shortly after the commencement of your employment.

9. Stock Option Program

You will be eligible to participate in our Management Stock Option Program under the Omnibus Plan. Grants are typically made annually under this program. Your annual target award under the program will be 100,000 options. Individual awards under the program are, however, wholly within the discretion of the Compensation Committee. Presently, the Compensation Committee grants awards under the program based primarily on the results of Kodak's leadership assessment and succession planning process. The first grant that you will be eligible for under the program is the grant for 2002.

10. Performance Stock Program

You will be eligible to participate in the Performance Stock Program, Kodak's long-term compensation plan for its senior management. Upon your employment, you will be named a participant in the program's three pending performance cycles. Awards earned under the program are paid in the form of restricted shares of Kodak common stock. The restrictions, which lapse at age 60, require continuous employment and noncompetition and prohibit the transferability of awards. Newly eligible participants are eligible for pro rata awards under the program's pending performance cycles based on their service during the cycle. Your target award for a full performance cycle under the program will be 15,000 shares of restricted Kodak common stock.

11. Pension Benefits

- A. **Cash Balance Plan.** Upon your employment, you will be eligible for the cash balance benefit provided under the Kodak Retirement Income Plan ("KRIP"). This program is Kodak's retirement plan for all employees hired on or after March 1, 1999. The enclosed brochure describes this program in more detail.
- B. **Enhanced Pension.** In addition to the retirement benefits you are eligible for under the cash balance benefit of KRIP, you will be eligible for an enhanced pension benefit. Assuming you satisfy the conditions of Section 11(C) below and subject to the offset provisions contained in Section 11(E) below, Kodak will provide you a retirement income benefit (1) as if you were eligible to participate in Kodak's retirement plans by virtue of being employed by Kodak after December 31, 1995, but prior to March 1, 1999, and (2) based on 20 years of deemed service. The names of the specific retirement plans that you will be treated as participating in by virtue of being treated as employed after December 31, 1995, but prior to March 1, 1999, are KRIP, the Kodak Unfunded Retirement Plan ("KURIP") and the Kodak Excess Retirement Income Plan ("KERIP"). These three plans insofar as they apply to employees employed by Kodak after March 31, 1995, but prior to March 1, 1999, will be collectively referred to as the "Retirement Plan."

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As explained in Section 11(C) below, the 20 years of deemed service that you will be treated as receiving under the Retirement Plan will not be credited to you unless and until you complete 5 years of actual service under the Retirement Plan. Thus, upon completion of these 5 years of service, you will have 25 years of service in total. Thereafter, you will continue to earn additional service credit under the Retirement Plan based on your actual service with Kodak. Any service credited to you under the Retirement Plan (whether actual or deemed) will only apply for purposes of establishing under the Retirement Plan: (i) the total amount of your "Vesting Service"; (ii) the total amount of your "Accrued Service" used to calculate your retirement income benefit; and (iii) your "Total Service" for purposes of determining the applicability of any early retirement reduction factor. The crediting of service applies solely for these purposes and is not intended to enhance any other Kodak benefit or compensation.

- C. **Continuous Employment.** In order to receive the enhanced retirement benefit described above, you must remain continuously employed with Kodak during the 5-year period commencing on the date of your employment. Except as provided in Section 11(D) below, if your employment

terminates for any reason, whether voluntarily or involuntarily, prior to the fifth anniversary of your employment with Kodak, you will not be entitled to receive any of the enhanced retirement benefits described above.

- D. Termination Without Cause or Termination due to Death, Disability or Good Reason. Notwithstanding Section 11(C) above, if Kodak terminates your employment without Cause or your employment terminates due to Death, Disability or Good Reason, you will receive your actual years of service and a pro rata portion of the 20 years of deemed service. The pro rata portion will be determined by multiplying the 20 years of deemed service by the following fraction:

(A)
60

For purposes of this fraction, "A" will be the total number of your completed full months of service with Kodak prior to your termination of employment. In the case of your death, your actual and pro rata deemed service will be used solely for purposes of determining the survivor benefit which your survivor may be eligible for under the Retirement Plan (but not the post-retirement survivor income benefit which is provided under our life insurance plans for a specified grandfathered population).

- E. Offset. The amount of the retirement income benefit or survivor benefit, if any, provided under Section 11(B) will be offset by: (1) the retirement benefits payable to you under the cash balance benefit of KRIP and any supplemental and successor plan(s) thereto and (2) any company matching contribution made to your account under the Eastman Kodak Employees' Savings and Investment Plan ("SIP") or any supplement or successor plan(s) thereto.

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For purposes of determining the amount of any offset under this Section 11(E), the amount of the retirement benefits payable to you under Cash Balance Plus and any supplemental and successor plan(s) thereto will be calculated pursuant to the same actuarial assumptions that are used to calculate the retirement income benefit that you will be treated as receiving under the Retirement Plan and assuming the same frequency of payment, form of benefit and commencement date of payment as such retirement income benefit.

- F. Payment. The amount of the enhanced retirement benefit, if any, payable to you under this Section 11 will: (i) be paid in the form of a monthly annuity commencing on the date(s) permitted under the terms of the Retirement Plan; (ii) be paid out of Kodak's general assets, not under KRIP; (iii) not be funded in any manner; (iv) be included in your gross income as ordinary income, subject to all income and payroll tax withholding required to be made under all applicable laws; and (v) not be grossed up or be given any other special tax treatment by Kodak.

- G. Employee Benefit Plan. To the extent the terms of this enhanced retirement benefit constitute an "employee benefit plan" under Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), the Senior Vice President, Eastman Kodak Company and Director, Human Resources will be the plan administrator of the plan. The plan administrator will have total and exclusive responsibility to control, operate, manage and administer the plan in accordance with its terms and all the authority that may be necessary or helpful to enable him/her to discharge his/her responsibilities with respect to the plan. Without limiting the generality of the preceding sentence, the plan administrator shall have the exclusive right to: interpret the plan, decide all questions concerning eligibility for and the amount of benefits payable under the plan, construe any ambiguous provision of the plan, correct any default, supply any omission, reconcile any inconsistency, and decide all questions arising in the administration, interpretation and application of the plan. The plan administrator will have full discretionary authority in all matters related to the discharge of his/her responsibilities and the exercise of his/her authority under the plan, including, without limitation, his/her construction

of the terms of the plan and his/her determination of eligibility for benefits under the plan. It is the intent of the plan, as well as both parties hereto, that the decisions of the plan administrator and his/her action with respect to the plan shall be final and binding upon all persons having or claiming to have any right or interest in or under the plan and that no such decision or actions shall be modified upon judicial review unless such decision or action is proven to be arbitrary or capricious.

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Notwithstanding the foregoing paragraph of this Section 11(G), the plan administrator will not determine the resolution of disputes concerning whether your termination of employment is for Cause or Good Reason, but rather such disputes will be arbitrated in accordance with the terms of Section 22 below.

12. Termination of Employment.

- A. Termination Due to Death. In the event your employment terminates due to your death, your estate or your beneficiaries, as the case may be, will receive:
- I. base salary through the date of death;
 - II. a pro rata annual target award under MVCP for the year in which your death occurs, based on service performed for such year, payable in a single installment on the normal payment date for awards earned for the year;
 - III. any earned, but unpaid, MVCP award for the year immediately prior to the year in which your death occurs;
 - IV. any restricted stock award outstanding at the time of your death, including the award under Section 8, whereupon the award will become fully vested and any forfeiture provisions set forth in the award's restricted stock agreement will immediately lapse;
 - V. any outstanding stock option award at the time of your death will become fully vested and your estate or, in the event of an assignment of your stock option award, your transferee will have the right to exercise any such award for the remainder of the full original term of the option;
 - VI. a pro rata award under the Performance Stock Program for each cycle during which your death occurs, based on performance and your service during such cycle, payable in a single installment on the normal payment date for awards earned for the cycle;
 - VII. any outstanding award under the Performance Stock Program at the time of your death, and any forfeiture provisions under the program applicable to such awards will immediately lapse;
 - VIII. services under Kodak's financial counseling program for the two year period immediately following the date of your death;

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- IX. continuation of existing health and dental coverage for up to 18 months, provided your qualified beneficiary timely elects COBRA continuation coverage and pays the required COBRA premiums;
 - X. a survivor benefit under the terms of Section 11 (D) above; and
 - XI. other or additional benefits in accordance with applicable plans and programs of the company.
- B. Termination Due to Disability. In the event your employment terminates due to Disability, you will receive:
- I. base salary through the date of your termination of employment;

- II. those benefits to which you are entitled under the Kodak Long-Term Disability Plan;
- III. a pro rata annual target award under MVCP for the year in which your termination occurs, based on service performed during such year until your date of termination, payable in a single installment on the normal payment date for awards earned for the year;
- IV. any earned, but unpaid, MVCP award for the year immediately prior to the year in which your termination occurs;
- V. any restricted stock award, other than the restricted stock award described in Section 8 above, outstanding for at least one year at the time of your termination, and the forfeiture provisions applicable to the award will immediately lapse;
- VI. a pro rata portion of the restricted stock award described in Section 8 which will be determined in accordance with the terms of Section 8;
- VII. any stock option award, other than the stock option award described in Section 7, outstanding for at least one year at the time of your termination of employment and, if the award is unvested at the time of your termination, it will continue to vest per its terms and, once vested, you will have the right to exercise the award for the remainder of its term unless the award is forfeited sooner pursuant to its terms;

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- VIII. the stock options granted under Section 7 above and, if any of the options are unvested at the time of your termination, they will continue to vest per their terms and, once vested, you will have the right to exercise the options for the remainder of their term unless they are forfeited sooner pursuant to their terms;
 - IX. a pro rata award under the Performance Stock Program for each cycle during which your termination occurs, based on performance and your service during such cycle until your date of termination, payable in a single installment on the normal payment date for awards earned for the cycle;
 - X. any outstanding award under the Performance Stock Program at the time of your termination, any forfeiture provisions under the program applicable to such award will immediately lapse;
 - XI. services under Kodak's financial counseling program for the two year period immediately following the date of your termination of employment;
 - XII. continuation of existing health and dental coverage for up to the maximum applicable COBRA period, provided you timely elect COBRA continuation coverage and pay the required COBRA premiums;
 - XIII. a pro rata enhanced retirement income benefit under the terms of Section 11(D) above; and
 - XIV. other or additional benefits in accordance with applicable plans and programs of the company.
- C. Termination by the Company for Cause. In the event Kodak terminates your employment for Cause, you will receive:
- I. base salary through the date of your termination of employment;
 - II. any earned, but unpaid, MVCP award for the year immediately prior to the year in which your termination occurs;
 - III. any award earned (but not yet paid) pursuant to the terms of the Performance Stock Program, but you will forfeit any award subject to any restriction at the time of your termination;

IV. payment for any reimbursed business expenses in accordance with Kodak's expense reimbursement policy; and
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V. other or additional benefits in accordance with applicable plans or programs of the company.

D. Termination Without Cause. In the event your employment is terminated by Kodak without Cause, you will receive:

I. base salary through the date of your termination of employment;

II. a severance allowance equal to two (2) times the sum of your then-current annual base salary plus your then-current target annual incentive award under MVCP, payable in equal consecutive bi-monthly payments over the two (2) year period commencing on the date of your termination of employment;

III. a pro rata annual target award under MVCP for the year in which your termination occurs, based on service performed for such year, payable in a single installment on the normal payment date for awards earned for the year;

IV. any earned, but unpaid, MVCP award for the year immediately prior to the year in which your termination occurs;

V. any restricted stock award, other than the restricted stock award described in Section 8 above, outstanding at the time of your termination, and the forfeiture provisions applicable to such award will immediately lapse;

VI. a pro rata portion of the restricted stock award described in Section 8 which will be determined in accordance with the terms of Section 8;

VII. any stock option award outstanding at the time of your termination of employment and, if the award is unvested at the time of your termination, it will continue to vest per its terms and, once vested, you will have the right to exercise the award for the remainder of its term unless the award is forfeited sooner pursuant to its terms;

VIII. a pro rata award under the Performance Stock Program for each cycle during which your termination occurs, based on performance and your service during such cycle, payable in a single installment on the normal payment date for awards earned for the cycle;

IX. any outstanding award under the Performance Stock Program at the time of your termination, any forfeiture provisions under the program applicable to such award will immediately lapse;

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X. a pro rata enhanced retirement income benefit under the terms of Section 11(D) above; and

XI. continuation, at Kodak's expense, of your then existing elections under Kodak's health and dental plans for the four month period immediately following the month in which you terminate your employment;

XII. following the expiration of the 4 months of company paid health and dental coverage, continuation of existing health and dental coverage for up to 14 months, provided you timely elect COBRA continuation coverage and pay the required COBRA premiums;

XIII. outplacement services in the same manner, and on the same terms and conditions, as if you were eligible for "Outplacement Services" pursuant to Article 8 of Kodak's Termination Allowance Plan;

XIV. services under Kodak's financial counseling program for the two year period immediately following the

date of your termination of employment; and

XV. other or additional benefits in accordance with applicable plans and programs of the company.

E. Good Reason. In the event you terminate your employment for "Good Reason," you will receive:

I. base salary through the date of your termination of employment;

II. a severance allowance equal to two (2) times the sum of your then-current annual base salary plus your then-current target annual incentive award under MVCP, payable in equal consecutive bi-monthly payments over the two (2) year period commencing on the date of your termination of employment;

III. a pro rata annual target award under MVCP for the year in which your termination occurs, based on service performed for such year, payable in a single installment on the normal payment date for awards earned for the year;

IV. any earned, but unpaid, MVCP award for the year immediately prior to the year in which your termination occurs;

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V. any restricted stock award, other than the restricted stock award described in Section 8 above, outstanding at the time of your termination, and the forfeiture provisions applicable to such award will immediately lapse;

VI. a pro rata portion of the restricted stock award described in Section 8 which will be determined in accordance with the terms of Section 8;

VII. any stock option award outstanding at the time of your termination of employment and, if the award is unvested at the time of your termination, it will continue to vest per its terms and, once vested, you will have the right to exercise the award for the remainder of its term unless the award is forfeited sooner pursuant to its terms;

VIII. a pro rata award under the Performance Stock Program for each cycle during which your termination occurs, based on performance and your service during such cycle, payable in a single installment on the normal payment date for awards earned for the cycle;

IX. any outstanding award under the Performance Stock Program at the time of your termination, any forfeiture provisions under the program applicable to such award will immediately lapse;

X. a pro rata enhanced retirement income benefit under the terms of Section 11(D) above; and

XI. continuation, at Kodak's expense, of your then existing elections under Kodak's health and dental plans for the four month period immediately following the month in which you terminate your employment;

XII. following the expiration of the 4 months of company paid health and dental coverage, continuation of existing health and dental coverage for up 14 months, provided you timely elect COBRA continuation coverage and pay the required COBRA premiums;

XIII. outplacement services in the same manner, and on the same terms and conditions, as if you were eligible for "Outplacement Services" pursuant to Article 8 of Kodak's Termination Allowance Plan;

XIV. services under Kodak's financial counseling program for the two year period immediately following the date of your termination of employment; and

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XV. other or additional benefits in accordance with applicable plans and programs of the company.

- F. Voluntary Termination. In the event you voluntarily terminate your employment, you will receive the same benefits as provided in Section 12(C) above for a termination for Cause.
- G. Exclusivity of Severance Allowance. The severance allowance payable to you under this Section 12 will be paid to you in lieu of any other severance benefit, payment or allowance that you would otherwise be eligible for, except any benefits payable to you under any Kodak severance plan. To the extent, however, you are eligible for a benefit under a Kodak severance plan, the severance allowance payable to you under this Section 12 will be reduced by the amount of such severance benefit.
- H. Release. As a condition of your entitlement to any of the rights, benefits and payments provided in this Section 12, you will be required to execute immediately prior to your termination of employment and honor a general release of claims and covenant not to sue in a form substantially similar to that attached to this letter agreement as Addendum A, which may be amended or supplemented from time to time by written agreement of the parties.
- I. Termination at Will. Notwithstanding anything herein to the contrary, your employment by Kodak is terminable at will with or without Cause; provided, however, that a termination of your employment will be governed in accordance with the terms of this Section 12. Thus, you will be free to terminate your employment at any time, for any reason, and Kodak is free to do the same.
- J. Benefits Bearing. None of the benefits or payments payable under this Section 12 are "benefits bearing." That is, they will not be taken into account, nor considered for any reason, for purposes of determining any company provided benefits or compensation to which you are or may become eligible.
- K. No Mitigation/No Offset. You will not be required to seek other employment or otherwise mitigate the value of any severance benefits payable under this letter agreement, nor will any such benefits be reduced by any earnings or benefits that you may receive from any other source. Except as expressly provided in this letter agreement or Addendum A, the severance allowance payable under this letter agreement will not be subject to setoff, counterclaim, recoupment, defense or other right which Kodak may have against you or others.

13. Vacation

You will be entitled to 6 weeks vacation per calendar year.

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14. Benefits

You will be immediately eligible to participate in Kodak's Flexible Benefits Plan, which includes health and dental coverage, long-term disability coverage, group life insurance and eligibility for long-term care insurance.

You will also be able to participate in Kodak's Short-Term Disability Plan. You will be eligible for up to 52 weeks of benefits under the terms of such plan. This is based upon a special credit of having 15 years of deemed service for purposes of the plan. Under the plan, participants receiving benefits remain Kodak employees and, as such, are eligible for the same benefits as other Kodak employees.

Our executives also qualify for company-paid coverage of \$5 million of personal umbrella liability insurance ("PULI").

In addition, you will be eligible to participate in the 1982 Eastman Kodak Company Executive Deferred Compensation Plan ("EDCP"). This is a non-qualified/unfunded plan in which you may elect to defer a portion of your base salary and MVCP award.

Immediately upon your employment, you will also be eligible to participate in the Eastman Kodak Employees' Savings and Investment Plan ("SIP"). You will be eligible to make rollover deferrals to SIP from other qualified plans within two years from the date of your hire.

Our executives are provided with individual financial counseling services through one of three companies. You will be immediately eligible for this benefit. You are also eligible to participate in the Kodak Executive Health Management Plan.

You will be eligible to participate in any of Kodak's executive fringe benefits in accordance with the terms and conditions of such arrangements as are in effect from time to time for Kodak's senior-level executives.

You will be eligible to participate in the Eastman Kodak Company Executive Protection Plan. You will be treated under the plan as a Tier 1 employee. Upon your employment, the plan's definition of "Qualifying Termination" will be amended to include the following provision:

In the case of Kodak's President, "Qualifying Termination" means: (a) a termination of the President's employment by the Employer other than for Cause, or (b) a termination of the President's employment by the President for Good Reason or (c) a voluntary termination of employment by the President for any reason (or no reason at all) during the 30-day period commencing 23 months after the date of a Change in Control.

15. Use of Company Aircraft

For security concerns, you will use company or company chartered aircraft for all business travel. For the same concerns, you will also be required to use company or company chartered aircraft when traveling back and forth to New Jersey and Florida. Your immediate family may accompany you on these trips to New Jersey and Florida, but such use by your immediate family will be subject to income imputation rules pursuant to applicable Internal Revenue Service regulations. To the extent your own use of company or company chartered aircraft when traveling back and forth to New Jersey and Florida results in imputed income to you, Kodak will provide you with tax gross-up payments so that after taxes are incurred on any such use you will be kept whole.

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16. Share Ownership Program

Kodak firmly believes that the interests of its executives must be consistent with those of its shareholders. One program designed to meet this objective is Kodak's share ownership program. Under this program, all senior executives are required to own common stock of Kodak equal to a set multiple of his or her base salary. The multiple that you are expected to own is 3 times your base salary. This amount must be achieved by the fifth anniversary of the date of your commencement of employment by Kodak.

17. Relocation

You will be eligible to participate in Kodak's Enhanced New Hire Relocation Program (the "Relocation Program"). We have enclosed a summary of the program's benefits. To the extent you are required to include any of the Relocation Program's benefits in your gross income for federal, state or local income or payroll tax purposes, Kodak will provide you with tax gross-up payments so that after taxes are incurred on any benefits under the Relocation Program you will be kept whole.

To assist you in finding a permanent residence in the Rochester, New York area, Kodak will reimburse you for your temporary housing expenses. More specifically, for up to a 6-month period commencing on your start date, Kodak agrees to reimburse you for your temporary housing expenses up to a maximum dollar amount of \$2,000 per month. These expenses must be incurred for temporary housing in the Rochester, New York area. Proper documentation of these expenses will be required in accordance with the terms of Kodak's relocation program. To the extent you are required to include any of these expense reimbursement in your gross income for federal, state or local income or payroll tax purposes, Kodak will provide you with tax gross-up payments so that after taxes are incurred on any such

expense reimbursement you will be kept whole. The amount of any such "gross-up" will not be included in the calculation of the \$2,000 per month limit.

18. Confidential Information

It is important that the relationship between you and Kodak be established at the outset so as to enable you to properly safeguard confidential information that you may have acquired from your previous employer(s). "Confidential Information" is defined as information proprietary to a previous employer which is generally secret, and which you learned while employed with that employer.

By accepting this conditional offer, you represent to Kodak that your obligations regarding the Confidential Information will not impede your ability to perform the duties and responsibilities required by virtue of the positions offered to you under this letter agreement. You further represent that the performance of these duties and responsibilities will not violate any agreement between you and any other person, firm, entity or organization or violate any Federal, state or local law, executive order or regulation.

During your employment with Kodak, we would expect that you will keep in mind the Confidential Information and inform us if you believe that any duties or responsibilities to which you are assigned will involve its use or disclosure. I am available at any time to discuss questions which might arise in this regard. All such discussions you may have with me or anyone at Kodak in this regard should refer to the Confidential Information only in general terms so as to avoid disclosure of the information you believe to be confidential.

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19. No Conflicts of Interest

We understand that some of your present activities may conflict with your proposed duties and responsibilities at Kodak. In this regard, we look forward to discussing the particulars of these situations with you. While we are confident that the conflicts posed by these situations can be eliminated, you should understand that the satisfactory resolution of these issues is a condition of your employment.

By signing this letter, you represent that as of the commencement of your employment you will not be subject to any restrictions, particularly, but without limitation, in connection with any previous employment, which at such time or thereafter will prevent you from performing your obligations under this letter or will materially and adversely affect (or may in the future, so far as you can reasonably foresee, materially affect) your rights to participate in the affairs of Kodak.

20. Employment Preconditions

This conditional offer of employment is subject to the following conditions and may be withdrawn by Kodak due to your inability to satisfy any one or more of these conditions. By signing this letter, you agree and acknowledge that Kodak may perform the activities contemplated below in order to verify the stated conditions.

- A. Drug Test. You are required to complete a drug screen before this offer becomes final. This will be at Kodak's expense. This offer is contingent upon a negative drug screen urinalysis test result. Additional information will be sent to you under separate cover from our Medical Department.
- B. INS. All employers are now required by Federal law to verify identity and authorization to work for all prospective employees. Enclosed is an Immigration and Naturalization Service I-9 form that outlines the details of these requirements. Inability to comply with these requirements will cause rescission of this conditional offer.
- C. Check of Past Employment, Education, Credit History, etc. Kodak will conduct a check of your past employment, education, credit history and criminal convictions records. This offer is contingent upon such check being acceptable to Kodak. Informed Directions International of

110 15th Street NE, Canton, Ohio 44714, has been engaged by Kodak to conduct this check. Enclosed is a disclosure letter required by Federal Law concerning our request to obtain a copy of your credit report. You will also find enclosed a consent form authorizing Kodak to obtain such credit report. Please sign and date the consent form and enclose it along with this letter.

21. Employee's Agreement

Attached is a copy of the Kodak Employees' Agreement, which you must sign and return to me upon your acceptance of this letter agreement.

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22. Resolution of Disputes

Any controversy or claim arising out of or relating to this letter agreement, or the breach, termination or validity hereof will be submitted to binding arbitration before a sole arbitrator in Rochester, New York administered by the American Arbitration Association in accordance with its rules. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. 1-16, and judgment upon the award rendered may be entered by any court having jurisdiction thereof. All costs and expenses of any arbitration (including the fees and expenses reasonably incurred by you) will be borne by Kodak unless your claim is determined by the arbitrator to be either frivolous or in bad faith.

Kodak will not be required to arbitrate any dispute relating to Sections 11(B) through 11(G) or your breach of your Eastman Kodak Company Employee's Agreement or the Release attached as Addendum A, but shall the right to institute judicial proceedings in a court of competent jurisdiction with respect to such a dispute or claim.

23. Outside Activities

Except as may otherwise be agreed in writing by the Chief Executive Officer and you, you are expected to devote all of your business time to the affairs of Kodak. You may, however, engage in charitable, civic and community activities and manage your personal affairs and personal passive investments, provided, however, such conduct does not materially interfere with your Kodak duties and responsibilities. You may also serve on the boards of directors or advisory committees of other corporations with the prior approval of the Board of Directors or Chief Executive Officer provided such activities do not (1) materially interfere with your Kodak duties and responsibilities; or (2) conflict with the Company's businesses or strategies.

24. Definitions

The following definitions will apply to this letter agreement:

- A. Approved Reason. Approved Reason is a term used in all of Kodak's stock option grants and means a reason for terminating employment with Kodak which, in the opinion of the Compensation Committee, is in the best interests of Kodak.
- B. Cause. Cause means:
 - I. your Willful and continued failure or refusal for a period of at least 60 days following delivery to you of a written notification from the Chief Executive Officer or Board to attempt to perform the usual, customary or reasonable functions of your positions; or
 - II. your gross negligence or Willful misconduct in the performance of your duties or obligations to Kodak that is, or is likely to be or is intended to be, materially detrimental to the Company; or
 - III. your conviction of any felony (other than a felony predicated on your vicarious liability or involving a routine traffic violation, but not excluding any felony resulting from such traffic violation) or crime involving moral turpitude; or

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- IV. your unlawful possession, use or sale of narcotics or

other controlled substances, or performing job duties while illegally used controlled substances are present in your system; or

V. your material breach of this letter agreement which, if correctable, remains uncorrected for 20 days after written notice to you by Kodak of the breach; or

VI. your material breach of a requirement of the Kodak Business Conduct Guide which requirement has consistently resulted in the termination of employment by employees who have committed similar breaches and which, if correctable, remains uncorrected for 20 days after written notice to you by Kodak of the breach; or

VII. your breach of your Employee's Agreement.

C. Company. "Company" means Kodak and all of its subsidiaries and affiliates.

D. Disability. "Disability" means meeting the definition of disability under the terms of the Kodak Long-Term Disability Plan and receiving benefits under such plan.

E. Good Reason. "Good Reason" means the occurrence or failure to cause the occurrence, as the case may be, without your express written consent, of any of the following circumstances:

I. any adverse change in your titles; or

II. a material diminution of your duties, responsibilities or authority; or

III. your assignment of duties or responsibilities which are materially inconsistent with your then position(s) which if correctable, remain uncorrected for 20 days following written notice to Kodak by you of the assignment (your nonperformance of those duties or responsibilities you consider materially inconsistent solely during such 20 day notice period will not be considered a breach of this letter agreement); or

IV. failure to elect or reelect you to the Board or your removal from the Board; or

V. any material breach by Kodak of any material provision of this letter agreement that is not cured within 20 days of written notice by you to Kodak's General Counsel specifying the nature of the material breach; or

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VI. failure of any successor to Kodak (whether direct or indirect and whether by merger, acquisition, consolidation, or otherwise) to assume in a writing delivered to you upon the assignee becoming such, the obligations of Kodak hereunder.

F. Permitted Reason. "Permitted Reason" is a term used in all of Kodak's stock option grants and means a reason for terminating employment that is approved by the Chief Executive Officer.

G. Willful. "Willful" means any act done or omitted to be done not in good faith and without reasonable belief that such action or omission was in the best interest of Kodak.

25. Withholding

All amounts paid by Kodak under this letter agreement will be subject to reduction in order to comply with applicable Federal, state and local tax withholding requirements.

26. Successors

This letter agreement is personal to you and, without the prior written consent of the Board, will not be assignable by you otherwise than by will or the laws of descent and distribution. This letter agreement will inure to the benefit of and be enforceable by

your legal representatives.

This letter agreement is assignable by Kodak to any successor to all or substantially all of the business and/or assets of Kodak (whether direct or indirect, by purchase, merger, consolidation or otherwise). Kodak will require any successor to assume and agree to perform this letter agreement in the same manner and to the same extent that Kodak would have been required to perform it if no such succession had taken place. This letter agreement will inure to the benefit of and be binding upon Kodak and any such successor or assigns.

27. Indemnification

During your employment and thereafter for the period during which you may be subject to potential liability for any claim, action or proceeding (whether civil or criminal) as a result of your service as an officer or director of Kodak or in any capacity at the request of Kodak, Kodak agrees to (1) indemnify and hold you harmless to the extent permitted under the terms of its Certificate of Incorporation and Bylaws as such document are in effect on the date of this letter agreement; and (2) continue to cover you under its directors and officers insurance at the same level then maintained by Kodak for its officers and directors.

28. Miscellaneous

By accepting this conditional offer of employment, you agree and acknowledge that this letter contains the entire understanding between Kodak and yourself with respect to your employment and supersedes all previous written or oral negotiations, commitments, and agreements with respect to such subject matter.

You agree to keep the content and existence of this letter, and all of the facts concerning its negotiation and implementation, confidential until it is filed by Kodak with the Securities and Exchange Commission. You may, however, review it with your financial advisor, attorney and/or spouse and with my designee or me.

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If any portion of this letter is deemed to be void or unenforceable by a court of competent jurisdiction, the remaining portions will remain in full force and effect to the maximum extent allowed by law. The parties intend and desire that each portion of this letter be given the maximum possible effect by law.

This letter agreement, and its interpretation and application, will be governed and controlled by the laws of the State of New York, applicable as though to a contract made in New York by residents of New York and wholly to be performed in New York without giving effect to principles of conflicts of laws.

* * *

Please respond to this conditional offer of employment prior to April 2, 2001. If you find the conditional offer acceptable, please acknowledge this by signing your name on the signature line provided and returning the signed original of this letter agreement, along with the executed copy of the enclosed Employees' Agreement and the consent form authorizing Kodak to obtain your credit report, directly to me.

Please feel free to contact me at (716) 724-4573 if you have any questions.

Sincerely,

Michael P. Morley

MPM:llh
Enclosures

cc: Daniel A. Carp

I accept the terms and conditions of this letter agreement.

Signature
Patricia F. Russo

Date

Social Security No.

Birthdate