SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): January 31, 2007

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

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

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

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

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

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

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

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

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

Item 2.02. Results of Operations and Financial Condition

On January 31, 2007, Eastman Kodak Company issued a press release describing its financial results for its fourth fiscal quarter ended December 31, 2006. Copies of the press release and financial discussion document are attached as Exhibits 99.1 and 99.2, respectively, to this report.

Within the Company's fourth quarter 2006 press release and financial discussion document, the Company makes reference to certain non-GAAP financial measures including "Digital revenue", "Traditional revenue", "New Technologies revenue", "Digital earnings", "Digital EFO growth", "Digital earnings growth", "Traditional earnings decline", "Free cash flow", "Operating cash flow", "Net cash generation (formerly investable cash)", and "Earnings before interest, taxes, depreciation and amortization (EBITDA)", which have directly comparable GAAP financial measures. The Company believes that these measures represent important internal measures of performance. Accordingly, where these non-GAAP measures are provided, it is done so that investors have the same financial data that management uses with the belief that it will assist the investment community in properly assessing the underlying performance of the Company on a year-over-year basis. Whenever such information is presented, the Company has complied with the provisions of the rules under Regulation G and Item 2.02 of Form 8-K. The specific reasons, in addition to the reasons described above, why the Company's management believes that the presentation of the non-GAAP financial measures provides useful information to investors regarding Kodak's financial condition, results of operations and cash flows are as follows:

Digital revenue / Traditional revenue / New Technologies revenue / Digital earnings / Digital EFO growth / Digital earnings growth / Traditional earnings decline - Due to the Company's ongoing digital transformation, management views the Company's performance based on the following three key metrics: digital revenue growth, digital earnings growth and the generation of cash. These three key metrics are emphasized in the Company's attached earnings release for the fourth quarter of 2006. These digital measures form the basis of internal management performance expectations and certain incentive compensation. Accordingly, these digital measures are presented so that investors have the same financial data that management uses with the belief that it will assist the investment community in properly assessing the underlying performance of the Company against its key metrics on a year-over-year and quarter-sequential basis, as the Company undergoes this digital transformation.

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

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

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

Exhibit 99.1	Press release issued January 31, 2007 regarding financial results for the fourth quarter of 2006	Furnished with this document
Exhibit 99.2	Financial discussion document issued January 31, 2007 regarding financial results for the fourth quarter of 2006	Furnished with this document

SIGNATURES

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

EASTMAN KODAK COMPANY

By: /s/ Diane E. Wilfong

Name: Diane E. Wilfong
Title: Controller

Date: January 31, 2007

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued January 31, 2007 regarding financial results for the fourth quarter of 2006
99.2	Financial discussion document issued January 31, 2007 regarding financial results for the fourth quarter of 2006

Kodak Delivers Positive 4th-Quarter Earnings on Sales of $3.821 Billion

4th-Qtr GAAP Profit From Continuing Operations of $17 Million ($0.06 Per Share), Including Restructuring Charges and Tax Valuation Allowance

Full-Year Digital Earnings of $343 Million; Digital EFO Growth of $271 Million Exceeds Traditional Earnings Decline for the Full Year

Company Meets Full-Year Cash Goals; Delivers $956 Million in Net Cash From Operating Activities From Continuing Operations in 2006; Cash Balance Totals $1.469 Billion at Year-End

ROCHESTER, N.Y.--(BUSINESS WIRE)--Jan. 31, 2007--Eastman Kodak Company (NYSE:EK) today reported fourth-quarter net earnings from continuing operations of $17 million, on lower year-over-year revenues, reflecting cost reduction efforts that boosted earnings and an emphasis on pursuing profitable sales. The company achieved $271 million in digital earnings for the fourth quarter, driven by wider gross profit margins and the company's global cost-reduction initiatives, resulting in strong earnings improvement in the company's Consumer Digital and Graphic Communications businesses.

The company also delivered a $271 million increase in digital earnings for the full year. Significantly, digital earnings growth for the year exceeded the traditional earnings decline for the first time in the company's history.

On the basis of generally accepted accounting principles (GAAP), the company reported fourth-quarter earnings from continuing operations of $17 million, or $0.06 per share. Items of net expense that impacted comparability totaled $152 million, or $0.53 per share. The most significant items included a restructuring charge of $69 million after tax, or $0.24 per share, and $89 million after tax, or $0.31 per share, to record a valuation allowance against deferred tax assets in various international entities.

For the fourth quarter of 2006:

-- Sales totaled $3.821 billion, a decrease of 9% from $4.197 billion in the fourth quarter of 2005. Digital revenue totaled $2.449 billion, a 5% decrease from $2.587 billion in the prior-year quarter, consistent with the company's focus on improving digital profit margins. Traditional revenue totaled $1.357 billion, a 15% decline from $1.592 billion in the fourth quarter of 2005.

-- The GAAP earnings from continuing operations were $17 million, or $0.06 per share, compared with a GAAP loss from continuing operations of $137 million, or $0.48 per share, in the year-ago period. The year-ago results included comparability items of expense totaling $1.02 per share.

-- The company's fourth-quarter earnings from continuing operations, before interest, other income (charges), net, and income taxes were $222 million, compared with a loss of $171 million in the year-ago quarter.

-- Digital earnings for the fourth quarter were $271 million, an increase of $130 million compared with the year-ago quarter, and benefited from a number of items. The company generated significant earnings growth in its Graphic Communications business and achieved operational improvements in its Consumer Digital Group, including a year-over-year increase in income from licensing arrangements, which reflects the company's continuing progress in generating returns from its intellectual property.

"I am extremely pleased with our performance in 2006 and our progress in implementing our digital business model," said Antonio M. Perez, Chairman and Chief Executive Officer, Eastman Kodak Company. "Our digital earnings greatly exceeded traditional earnings in the fourth quarter. Profit margins expanded in the sizeable digital businesses that we have assembled, debt declined by more than $800 million in 2006, and the year ended with a strong cash position. We intend to conclude our restructuring this year, as part of the creation of a digital company with sustainable revenue and profit growth."

Other fourth-quarter 2006 details:

- Net cash provided by operating activities from continuing operations for the fourth quarter totaled $1.028 billion, compared with $1.240 billion in the year-ago quarter. Net cash generation (formerly investable cash) was $916 million, bringing full-year net cash generation to $592 million, which is at the upper end of the range provided by the company. Full-year net cash provided by operating activities from continuing operations totaled $956 million.

- Kodak held $1.469 billion in cash as of December 31, 2006, compared with $1.665 billion on December 31, 2005.

- Debt decreased $561 million from the third-quarter level, to $2.778 billion as of December 31, 2006. For the full-year 2006, debt decreased $805 million.

- Selling, General and Administrative expenses decreased $172 million from the year-ago quarter, primarily reflecting the company's cost reduction activities. SG&A as a percentage of revenue was 15.6%, down from 18.3% in the year-ago quarter, amplified by seasonally strong fourth-quarter revenue.

- Gross profit margins were 26.4% in the current quarter, up from 23.0% in the prior year quarter. This was driven by operational improvements across the company's business units, most notably KODAK PICTURE kiosks, the KODAK GALLERY, and the favorable impact of the previously noted licensing arrangements. The company also benefited from reduced restructuring costs.

Fourth-quarter segment sales and results from continuing operations, before interest, other income (charges), net, and income taxes (earnings from operations), are as follows:

- Consumer Digital Group earnings from operations were $150 million, compared with $40 million a year ago, on sales of $1.154 billion, which were down 13% from the prior-year quarter, consistent with the company's focus on improving digital profit margins. On a full year-over-year basis, earnings from operations improved by $132 million. Highlights for the quarter included a 27% increase in sales of KODAK PICTURE kiosks, of which 52% was a volume increase in related thermal media sales, a significant earnings improvement in the KODAK GALLERY, and an increase in income from licensing arrangements. According to the NPD Group's consumer tracking service, KODAK EASYSHARE digital cameras were number one in unit market share in the U.S. for the fourth quarter and full year of 2006.

- Graphic Communications Group earnings from operations were $57 million, compared with $28 million in the year-ago quarter, on sales of $974 million, which were up 3% from the prior-year quarter. On a full year-over-year basis earnings from operations improved by $182 million. The sales growth largely reflects increased demand for NEXPRESS Color Presses and digital plates, partially offset by a decline in NEXPRESS Black & White Printers and the traditional product portfolio.

- Film and Photofinishing Group earnings from operations were $77 million, compared with $51 million a year ago, on sales of $1.013 billion, which were down 16% from the prior-year quarter. During the fourth quarter of 2006, the group achieved an 8% operating margin, double the rate of the year-ago quarter and in line with company expectations.

- Health Group segment earnings from operations were $86 million, compared with $87 million a year ago, despite substantial costs associated with the divestiture effort and increased costs for silver. Sales for this segment were $660 million, down 6%. Highlights for the quarter included sales increases in Healthcare Information System, digital dental products, and digital capture, offset by declines in traditional radiography and digital output. The company announced on January 10th that it has reached an agreement to sell the Health Group to Onex for as much as $2.55 billion. The transaction is expected to close in the first half of 2007.

Other 2006 Highlights:

-- The company's net loss narrowed by $754 million, or $2.61 per share, from a negative $1.354 billion, or $4.70 per share, in 2005 to a negative $600 million, or $2.09 per share in 2006. The favorable year-over-year change reflects greatly improved operational performance in the company's Consumer Digital, Graphic Communications, and Film and Photofinishing businesses. It also reflects a year-over-year decrease in restructuring charges, reduced SG&A expenses and lower tax valuation allowances versus the prior year.

-- On a full-year basis, the company posted $343 million in digital earnings, a nearly five-fold improvement year-over-year, and close to the company's aggressive target for the year.

-- Net cash provided by operating activities from continuing operations totaled $956 million for the year, compared with $1.180 billion in 2005, at the upper end of the company's forecasted range.

"I'm proud of my team and their accomplishments in 2006, and our results reflect our progress in becoming a more profitable company," said Perez. "We delivered on every important goal that we set, with the exception of digital revenue growth, where we made a specific decision to focus on overall digital profit margins over revenue growth.

"Kodak is now a company with a strong market position in a significant number of digital categories. We enter 2007 with solid momentum, a strong emphasis on sustaining profitable growth, and the talent and resources necessary to generate value for our shareholders."

Conference Call

Antonio Perez and Kodak Chief Financial Officer Frank Sklarsky will host a conference call with investors at 11:00 a.m. Eastern Time today. To access the call, please use the direct dial-in number: 913-981-5591, access code 1644226. There is no need to pre-register.

The call will be recorded and available for playback by 2:00 p.m. Eastern Time today by dialing 719-457-0820, access code 1644226. The playback number will be active until Wednesday, February 7th at 5:00 p.m. Eastern Time.

Investor Meeting

Eastman Kodak Company will hold its annual strategy meeting with the institutional investment community on Thursday, February 8th in New York City.

The meeting will be held at Thomson Financial, located at 195 Broadway (between Fulton & Dey). Presentations by Antonio Perez, Frank Sklarsky, and other senior Kodak managers will begin promptly at 9:00 a.m. The program, including a question and answer period, is expected to conclude by 12:30 p.m.

If you wish to attend, please RSVP by contacting Jo Ann Bruno at (585) 724-1130 by Friday, February 2nd or by e-mail to joann.bruno@kodak.com.

For those unable to attend in person, the meeting will be available via a live webcast.

To access the webcast please go to: http://www.kodak.com/go/invest

The meeting will also be teleconferenced in listen-only mode. To listen please call 913-981-5542 access code 1685146 or ask for the Kodak Investor Meeting.

An audio replay of the meeting will be available beginning Friday, February 9th at 9:00 a.m. and will run until 5:00 p.m. Eastern Time on Friday, February 16th. The replay phone number is 719-457-0820 and the reference number is 1685146.

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

Certain statements in this report may be forward-looking in nature, or "forward-looking statements" as defined in the United

States Private Securities Litigation Reform Act of 1995. For example, references to expectations for the Company's revenue and profit growth and restructuring are forward-looking statements.

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

-- execution of the digital growth and profitability strategies, business model and cash plan;

-- implementation of the cost reduction programs;

-- transition of certain financial processes and administrative functions to a global shared services model and the outsourcing of certain functions to third parties;

-- implementation of, and performance under, the debt management program, including compliance with the Company's debt covenants;

-- development and implementation of product go-to-market and e-commerce strategies;

-- protection, enforcement and defense of the Company's intellectual property, including defense of our products against the intellectual property challenges of others;

-- implementation of intellectual property licensing and other strategies;

-- completion of information systems upgrades, including SAP, the Company's enterprise system software;

-- completion of various portfolio actions;

-- reduction of inventories;

-- integration of acquired businesses;

-- improvement in manufacturing productivity and techniques;

-- improvement in receivables performance;

-- improvement in supply chain efficiency; and

-- implementation of the strategies designed to address the decline in the Company's traditional businesses.

The forward-looking statements contained in this report are subject to the following additional risk factors:

-- inherent unpredictability of currency fluctuations, commodity prices and raw material costs;

-- competitive actions, including pricing;

-- changes in the Company's debt credit ratings and its ability to access capital markets;

-- the nature and pace of technology evolution;

-- changes to accounting rules and tax laws, as well as other factors which could impact the Company's reported financial position or effective tax rate;

-- general economic, business, geo-political and regulatory conditions;

-- market growth predictions;

-- continued effectiveness of internal controls; and

-- other factors and uncertainties disclosed from time to time in the Company's filings with the Securities and Exchange Commission.

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

Eastman Kodak Company
Fourth Quarter 2006 Results
Non-GAAP Reconciliations

Within the Company's fourth quarter 2006 press release and financial discussion document, the Company makes reference to certain non-GAAP financial measures including "digital earnings", "digital EFO growth", "digital earnings growth", "traditional earnings decline", "digital revenue", "traditional revenue", and "net cash generation (formerly investable cash)". Whenever such information is presented, the Company has complied with the provisions of the rules under Regulation G and Item 2.02 of Form 8-K. The specific reasons why the Company's management believes that the presentation of each of these non-GAAP financial measures provides useful information to investors regarding Kodak's financial condition, results of operations and cash flows has been provided in the Form 8-K filed in connection with this press release.

The following table reconciles digital earnings to the most directly comparable GAAP measure of net loss from continuing operations (dollar amounts in millions):

	FY 2006	FY 2005	Increase/ (Decrease)
Digital earnings, as presented	$ 343	$ 72	$ 271
Traditional earnings, as presented	432	650	(218)
New Technologies loss	(211)	(215)	4
Legal settlements	2	(21)	23
Restructuring costs and other items	(768)	(1,118)	350
Loss from continuing operations before interest, other income (charges), net and income taxes (GAAP basis)	(202)	(632)	430
Interest expense	(262)	(211)	(51)
Other income (charges), net	118	44	74
Provision for income taxes	(254)	(555)	301
Net loss from continuing operations (GAAP basis), as presented	$ (600)	$(1,354)	$ 754

The following table reconciles digital earnings to the most directly comparable GAAP measure of net earnings (loss) from continuing operations (dollar amounts in millions):

	Q4 2006	Q4 2005	Increase/ (Decrease)
Digital earnings, as presented	$ 271	$ 141	$ 130
Traditional earnings, as presented	98	57	41
New Technologies loss	(71)	(53)	(18)
Legal settlements	6	(21)	27
Restructuring costs and other items	(82)	(295)	213
Earnings (loss) from continuing operations before interest, other income (charges), net and income taxes (GAAP basis), as presented	222	(171)	393
Interest expense	(60)	(67)	7
Other income (charges), net	36	55	(19)
(Provision) benefit for income taxes	(181)	46	(227)
Net earnings (loss) from continuing operations (GAAP basis), as presented	$ 17	$ (137)	$ 154

The following table reconciles digital revenue, traditional revenue, and new technologies revenue amounts to the most directly comparable GAAP measure of consolidated revenue (dollar amounts in millions):

	Q4 2006	Q4 2005	Change from prior year
Digital revenue, as presented	$2,449	$2,587	- 5%
Traditional revenue, as presented	1,357	1,592	-15%
New technologies revenue	15	18	-17%
Consolidated revenue (GAAP basis), as presented	$3,821	$4,197	- 9%

The following table reconciles the net cash provided by continuing operations relating to operating activities under US GAAP, to Kodak's definition of (1) free cash flow, (2) operating cash flow, and (3) net cash generation* :

4th Quarter ($ amounts in millions)	2006
Net cash provided by continuing operations relating to operating activities, as presented	$1,028
Additions to properties	(97)
Free Cash Flow (continuing operations)	931
Net proceeds from sales of businesses/assets	66
Investments in unconsolidated affiliates	(9)
Acquisitions, net of cash acquired	-
Dividends	(72)
Operating Cash Flow (continuing operations)	916
Acquisitions, net of cash acquired	-
Net Cash Generation * (continuing operations), as presented	$916

Full Year ($ amounts in millions)	2006
Net cash provided by continuing operations relating to operating activities, as presented	$956
Additions to properties	(379)
Free Cash Flow (continuing operations)	577
Net proceeds from sales of businesses/assets	178
(Investments in) / distributions from unconsolidated affiliates	(19)
Acquisitions, net of cash acquired	(3)
Debt assumed through acquisitions	-
Dividends	(144)
Operating Cash Flow (continuing operations)	589
Acquisitions, net of cash acquired	3
Debt assumed through acquisitions	-
Net Cash Generation * (continuing operations), as presented	$592

* formerly Investable Cash Flow

As previously announced, the Company will only report its results on a GAAP basis, which will be accompanied by a description of non-operational items affecting its GAAP quarterly results by line item in the statement of operations. The Company defines non-operational items as restructuring and related charges, legal settlements, in-process research and development charges related to acquisitions, significant gains and losses on sales of assets, asset impairments, the related tax effects of those items and certain other significant items not related to the Company's core operations. Non-operational items, as defined, are specific to the Company and other companies may define the term differently. The following table presents a description of the non-operational items affecting the Company's quarterly results by line item in the statement of operations for the fourth quarter of 2006 and 2005, respectively.

	4th Quarter			
	2006		2005	
(in millions, except per share data)	$	EPS	$	EPS
(Loss) earnings from continuing operations - GAAP	$17	$0.06	$(137)	$(0.48)
COGS				
- - Charges for accelerated depreciation in connection with the focused cost reduction actions	58		130	
- - Charges for inventory writedowns in connection with focused cost reduction actions	4		6	
Subtotal	62	0.22	136	0.48
SG&A				
- - Adjustment for Legal Settlement (reversals)/charges	(6)		21	
Subtotal	(6)	(0.02)	21	0.07
Restructuring				
- - Charges for focused cost reduction actions	20		159	
Subtotal	20	0.07	159	0.56
Other Income/(Charges)				
- - Gain on the sale of properties related to focused cost reduction actions, net	(3)			
- - Impairment of property related to focused cost reduction actions			4	
Subtotal	(3)	(0.01)	4	0.01
Taxes				
- - Impact of establishment of valuation allowances	89			
- - Tax impacts of the above-mentioned items	(10)		(28)	
Subtotal	79	0.27	(28)	(0.10)

CONTACT: Eastman Kodak Company
Media:
David Lanzillo, 585-781-5481
david.lanzillo@kodak.com
or
Barbara Pierce, 585-724-5036
barbara.pierce@kodak.com

or
Investor Relations:
Don Flick, 585-724-4352
donald.flick@kodak.com
or
Patty Yahn-Urlaub, 585-724-4683
patty.yahn-urlaub@kodak.com
or
Angela Nash, 585-724-0982
angela.nash@kodak.com

FINANCIAL DISCUSSION DOCUMENT

FOURTH QUARTER 2006 COMPARED WITH FOURTH QUARTER 2005

CONSOLIDATED

Worldwide Revenues

Net worldwide sales were $3,821 million for the fourth quarter of 2006 as compared with $4,197 million for the fourth quarter of 2005, representing a decrease of $376 million or 9%. The decrease in net sales was primarily due to declines in volumes and unfavorable price/mix, which decreased fourth quarter sales by approximately 9.3 and 1.8 percentage points, respectively. The decrease in volumes was primarily driven by declines in the consumer film capture Strategic Product Group (SPG), photofinishing services SPG, and consumer output SPG within the FPG segment; the consumer digital capture SPG within the CDG segment; the traditional prepress consumables SPG within the GCG segment; and the radiography film and digital output SPGs within the KHG segment. The unfavorable price/mix was primarily driven by the consumer film capture SPG and the consumer output SPG within the FPG segment; the radiology film and digital output SPG within the KHG segment; the kiosk SPG and consumer digital capture SPG within the CDG segment; and the digital prepress consumables SPG and workflow and prepress SPG within the GCG segment. These declines were partially offset by the favorable impact of foreign exchange of approximately 2.2 percentage points.

Net sales in the U.S. were $1,695 million for the fourth quarter of 2006 as compared with $1,976 million for the prior year quarter, representing a decrease of $281 million, or 14%. Net sales outside the U.S. were $2,126 million for the current quarter as compared with $2,221 million for the fourth quarter of 2005, representing a decrease of $95 million, or 4%, which includes the positive impact of foreign currency fluctuations of $91 million, or 4%.

Digital Strategic Product Groups' Revenues

The Company's digital product sales, including new technologies product sales, were $2,464 million for the fourth quarter of 2006 as compared with $2,605 million for the prior year quarter, representing a decrease of $141 million, or 5%, primarily driven by the consumer digital capture SPG within the CDG segment and the digital output SPG within the Health Group segment, partially offset by increases in the kiosk SPG within the CDG segment; and the digital prepress consumables SPG and NexPress color SPG within the GCG segment. Product sales from new technologies, which are included in digital product sales, were $15 million for the fourth quarter of 2006 and $18 million for the fourth quarter of 2005.

Traditional Strategic Product Groups' Revenues

Net sales of the Company's traditional products were $1,357 million for the fourth quarter of 2006 as compared with $1,592 million for the prior year quarter, representing a decrease of $235 million, or 15%, primarily driven by declines in the consumer film capture SPG, the photofinishing services SPG and the consumer and professional output SPGs in the FPG segment.

Foreign Revenues

The Company's operations outside the U.S. are reported in three regions: (1) the Europe, Africa and Middle East region (EAMER), (2) the Asia Pacific region and (3) the Canada and Latin America region. Net sales in the EAMER region were $1,107 million for the fourth quarter of 2006 as compared with $1,106 million for the prior year quarter, representing an increase of $1 million, or less than 1%. This increase in net sales for the period included the favorable impact of foreign currency fluctuations of 7%. Net sales in the Asia Pacific region were $618 million for the current quarter as compared with $701 million for the prior year quarter, representing a decrease of $83 million, or 12%. This decrease in net sales for the period included the favorable impact of foreign currency fluctuations of 2%. Net sales in the Canada and Latin America region were $401 million in the current quarter as compared with $414 million for the fourth quarter of 2005, representing a decrease of $13 million, or 3%. The decrease in net sales for the period included the favorable impact of foreign currency fluctuations of 1%.

Gross Profit

Gross profit was $1,007 million for the fourth quarter of 2006 as compared with $967 million for the fourth quarter of 2005, representing an increase of $40 million, or 4%. The gross profit margin was 26.4% in the current quarter as compared with 23.0% in the prior year quarter. The 3.4 percentage point increase was primarily attributable to: (1) reductions in manufacturing costs, which increased gross profit margins by approximately 1.6 percentage points, (2) price/mix, which positively impacted gross profit margins by approximately 1.4 percentage points, and (3) foreign exchange, which positively impacted gross profit margins by approximately 1.0 percentage points. These increases were partially offset by volume declines, which negatively impacted gross profit margins by approximately 0.7 percentage points.

The positive price/mix impact referred to above was primarily driven by an extension and amendment of an existing license arrangement and a new licensing arrangement within the consumer digital capture SPG. The non-recurring portions of these licensing arrangements contributed approximately 3.2% of revenue to consolidated gross profit dollars in the current quarter, as compared with 1.4% of revenue to consolidated gross profit dollars for similar arrangements in the year ago quarter. The positive impact of these arrangements was partially offset by negative price/mix within the photofinishing services SPG and consumer output SPG within the FPG segment; the digital capture solutions SPG within the KHG segment; and the kiosk SPG and consumer digital capture SPG within the CDG segment. The volume declines were primarily driven by the consumer film capture SPG and consumer output SPG within the FPG segment; and the traditional prepress consumables SPG within the GCG segment.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) were $595 million for the fourth quarter of 2006 as compared with $767 million for the prior year quarter, representing a decrease of $172 million, or 22%. SG&A as a percentage of sales decreased from 18% for the fourth quarter of 2005 to 16% for the current year quarter. The decrease in SG&A is primarily attributable to ongoing Company-wide cost reduction initiatives. The year-over-year decrease in SG&A was also impacted by $21 million of legal settlement costs in the fourth quarter of 2005 and a $6 million reduction to legal reserves in the fourth quarter of 2006.

Research and Development Costs

Research and development costs (R&D) were $170 million for the fourth quarter of 2006 as compared with $212 million for the fourth quarter of 2005, representing a decrease of $42 million, or 20%. R&D as a percentage of sales was 4% for the fourth quarter of 2006 as compared with the prior year quarter of 5%. This decrease was primarily driven by spending reductions in the current quarter related to traditional products and services, and was also impacted by integration activities related to GCG subsidiaries.

Restructuring Costs and Other

Restructuring costs and other were $20 million for the fourth quarter of 2006 as compared with $159 million for the fourth quarter of 2005, representing a decrease of $139 million or 87%. These costs, as well as the restructuring costs reported in cost of goods sold, are discussed in further detail under "RESTRUCTURING COSTS AND OTHER" below.

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

Earnings from continuing operations before interest, other income (charges), net and income taxes for the fourth quarter of 2006 were $222 million as compared with a loss of $171 million for the fourth quarter of 2005, representing an increase in earnings of $393 million. This change is attributable to the reasons described above.

Interest Expense

Interest expense for the fourth quarter of 2006 was $60 million as compared with $67 million for the prior year quarter, representing a decrease of $7 million, or 10%. Lower interest expense is primarily driven by lower average debt balances resulting from approximately $540 million of payments made in the fourth quarter of 2006 on the Company's October 2005 $2.7 billion Senior Secured Credit Facilities.

Other Income (Charges), Net

The other income (charges), net component includes investment income, income and losses from equity investments, gains and losses on the sales of assets and investments, and foreign exchange gains and losses. Other income for the current quarter was $36 million as compared with other income of $55 million for the fourth quarter of 2005. The decrease of $19 million is primarily attributable to lower gains on property and asset sales related to focused cost reduction actions, partially offset by a year-over-year increase in interest income.

Earnings (Loss) From Continuing Operations Before Income Taxes

Earnings from continuing operations before income taxes for the fourth quarter of 2006 was $198 million as compared with a loss of $183 million for the fourth quarter of 2005, representing an increase in earnings of $381 million. This change is attributable to the reasons described above.

Income Tax Provision

For the three months ended December 31, 2006, the Company recorded a provision of $181 million on pre-tax earnings of $198 million, representing an effective rate of 91.4%. The difference of $112 million between the recorded provision of $181 million and the provision of $69 million that would result from applying the U.S. statutory rate of 35.0% is outlined below.

For the three months ended December 31, 2005, the Company recorded a benefit of $46 million on a pre-tax loss of $183 million, representing an effective rate of 25.1%. The difference of $18 million between the recorded benefit of $46 million and the benefit of $64 million that would result from applying the U.S. statutory rate of 35.0% is outlined below.

(dollars in millions)	3 Months Ended December 31, 2006	3 Months Ended December 31, 2005
- -- The ongoing impact of not providing any tax benefit on the losses incurred in the U.S. and in certain foreign jurisdictions, partially offset by the impact of the pre-tax earnings outside the U.S. being generated in jurisdictions with a net effective tax rate that is lower than the U.S. statutory rate.	$ 34	$ 47
- -- The Company recorded discrete pre-tax charges for restructuring, asset sale gains/losses, and a legal settlement totaling $73 million in the three months ended December 31, 2006, relating to which the Company recorded a tax provision of $25 million. This provision differs from the benefit that would have resulted using the U.S. statutory rate of $26 million primarily due to the fact that the restructuring charges recorded in the U.S. and in certain jurisdictions outside the U.S. have not been benefited as a result of the Company's assessment of the realizability of the net deferred tax assets in those jurisdictions.	51	--
- -- The Company recorded discrete pre-tax charges for restructuring, asset impairments and a legal settlement charge totaling $320 million in the three months ended December 31, 2005, relating to which the Company recorded		

a tax benefit of $27 million. This benefit differs from the benefit that would have resulted using the U.S. statutory rate of $112 million due to the fact that the restructuring charges recorded in the U.S. have not been benefited, combined with the fact that the charges recorded outside the U.S. have been incurred in jurisdictions that have a net tax rate that is lower than the U.S. statutory rate.	--	85
- -- The Company recorded discrete tax charges in the three months ended December 31, 2006 relating primarily to the establishment of valuation allowances in certain foreign jurisdictions, purchase accounting and impacts from the ongoing tax audits and return filings with respect to open tax years totaling $27 million.	27	--
- -- The Company recorded discrete tax benefits in the three months ended December 31, 2005 relating primarily to the release of valuation allowance against net deferred tax assets and audit settlements in the U.S., offset by the planned remittance of earnings from subsidiary companies outside the U.S. and other tax adjustments.	--	(114)
Total tax provision difference resulting from the Company's effective tax rate vs. the U.S. statutory rate	$112	$18

The Company has performed the required assessment of positive and negative evidence regarding the realization of the net deferred tax assets in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109). This assessment included the evaluation of scheduled reversals of deferred tax assets and liabilities, estimates of projected future taxable income, carryback potential and tax planning strategies.

Based upon management's December 31, 2006 assessment of realizability, management concluded that it is no longer more likely than not that certain net deferred tax assets would be realized and, as such, recorded a valuation allowance of approximately $89 million during the fourth quarter 2006. The net deferred tax assets relate to entities outside of the U.S. Prior to the Company's fourth quarter 2006 assessment of realizability, it was believed, based on available evidence, that the Company would more likely than not realize the net deferred tax assets.

In addition, the Company continues to record a valuation allowance on all U.S. tax benefits until an appropriate level of profitability in the U.S. is sustained or until the Company is able to generate enough taxable income through other tax planning strategies and transactions.

On October 3, 2006, the Company filed a claim for a federal tax refund of approximately $650 million related to a 1994 loss recognized on the sale of a subsidiary stock that was disallowed at that time under Internal Revenue Service (IRS) regulations. Since that time, the IRS has issued new regulations that serve as the basis for this refund claim. Due to the uncertainty of the claim, the Company, in accordance with its accounting policies, has not recorded a tax benefit related to this refund claim.

Earnings (Loss) From Continuing Operations

Earnings from continuing operations for the fourth quarter of 2006 were $17 million, or $.06 per basic and diluted share, as compared with a loss from continuing operations for the fourth quarter of 2005 of $137 million, or $.48 per basic and diluted share, representing an increase in earnings of $154 million. This decrease in loss from continuing operations is attributable to the reasons described above.

CONSUMER DIGITAL IMAGING GROUP

Worldwide Revenues

Net worldwide sales for the Consumer Digital Imaging Group (CDG) segment were $1,154 million for the fourth quarter of 2006 as compared with $1,332 million for the fourth quarter of 2005, representing a decrease of $178 million, or 13%. The decrease in net sales was comprised of: (1) lower volumes, which in total decreased fourth quarter sales by approximately 11.3 percentage points, driven primarily by declines in the consumer digital capture SPG, and (2) declines related to unfavorable price/mix, which reduced net sales by approximately 3.1 percentage points, driven primarily by the kiosk SPG and the consumer digital capture SPG. The negative price/mix impact includes the positive effects of an extension and amendment of an existing license arrangement and a new licensing arrangement, portions of which were non-recurring. These arrangements provide the Company with a return on portions of historical R&D investments and similar opportunities are expected to have a continuing impact on the results of operations. The decreases in volumes and price/mix were partially offset by favorable exchange, which increased net sales by approximately 1.0 percentage points.

CDG segment net sales in the U.S. were $818 million for the current quarter as compared with $939 million for the fourth quarter of 2005, representing a decrease of $121 million, or 13%. CDG segment net sales outside the U.S. were $336 million for the fourth quarter of 2006 as compared with $393 million for the prior year quarter, representing a decrease of $57 million, or 15%.

Net worldwide sales of consumer digital capture products, which include consumer digital cameras, accessories, memory products, imaging sensors, and intellectual property royalties, decreased 25% in the fourth quarter of 2006 as compared with the prior year quarter, primarily reflecting volume decreases and negative price/mix, partially offset by favorable exchange. The negative price/mix impact includes the positive impacts of an extension and amendment of an existing license arrangement and a new licensing arrangement, as mentioned above. These arrangements provide the Company with a return on portions of historical R&D investments and similar opportunities are expected to have a continuing impact on the results of operations. According to the NPD Group's consumer tracking service, Kodak EasyShare digital cameras were number one in unit market share in the U.S. for the fourth quarter and full year 2006. On a year to date basis through November, the Company remains in the top three unit market share position on a worldwide basis for consumer digital cameras.

Net worldwide sales of picture maker kiosks/media (the kiosk SPG) increased 27% in the fourth quarter of 2006 as compared with the fourth quarter of 2005, as a result of volume increases and favorable exchange, partially offset by negative price/mix. Sales continue to be driven by strong consumable sales at retail locations with 4x6 media volumes increasing 52% versus last year.

Net worldwide sales of the home printing solutions SPG, which includes inkjet photo paper and printer docks/media, increased 2% in the current quarter as compared with the fourth quarter of 2005 driven by volume increases and favorable exchange, partially offset by negative price/mix. On a year to date basis through November, the Company's printer dock held a leading market share position in the U.S., U.K., and Australia.

Gross Profit

Gross profit for the CDG segment was $323 million for the fourth quarter of 2006 as compared with $247 million for the prior year quarter, representing an increase of $76 million or 31%. The gross profit margin was 28.0% in the current quarter as compared with 18.5% in the prior year quarter. The 9.5 percentage point increase was primarily attributable to improvements in price/mix, a reduction in manufacturing costs, and the favorable impact of foreign exchange. Improvements in price/mix positively impacted gross profit margins by approximately 6.4 percentage points, due to an extension and amendment of an existing license arrangement and a new license arrangement, as mentioned above. The impact of the non-recurring portions of these licensing arrangements contributed approximately 10.7% of revenue to segment gross profit dollars in the current quarter, as compared with 4.3% of revenue to segment gross profit dollars for similar arrangements in the year ago quarter. The positive impact of these arrangements was partially offset by negative price/mix in the kiosk and consumer digital capture SPGs. Additionally, manufacturing cost reductions and operational improvements increased gross profit margins by approximately 2.6 percentage points, primarily within the kiosk SPG and consumer digital capture SPG. Foreign exchange further increased gross profit margins by approximately 0.8 percentage points. These increases were partially offset by volume declines, which reduced gross profit margins by approximately 0.4 percentage points.

Selling, General and Administrative Expenses

SG&A expenses for the CDG segment decreased $33 million, or 20%, from $165 million in the fourth quarter of 2005 to $132 million in the current quarter, and decreased as a percentage of sales from 12% for the fourth quarter of 2005 to 11% for the current quarter. This decrease was primarily driven by a decline in advertising spending as a result of focused cost reduction activities.

Research and Development Costs

R&D costs for the CDG segment decreased $2 million, or 5%, from $43 million in the fourth quarter of 2005 to $41 million in the current quarter but increased as a percentage of sales from 3% in the prior year quarter to 4% in the current year quarter.

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

Earnings from continuing operations before interest, other income (charges), net and income taxes for the CDG segment were $150 million in the fourth quarter of 2006 compared with $40 million in the fourth quarter of 2005, representing an increase in earnings of $110 million or 275%, as a result of the factors described above.

FILM AND PHOTOFINISHING SYSTEMS GROUP

Worldwide Revenues

Net worldwide sales for the Film and Photofinishing Systems Group (FPG) segment were $1,013 million for the fourth quarter of 2006 as compared with $1,201 million for the fourth quarter of 2005, representing a decrease of $188 million, or 16%. The decrease in net sales was primarily comprised of lower volumes, which decreased net sales by approximately 16.3 percentage points, driven primarily by declines in the consumer film capture SPG, the consumer output SPG, and the photofinishing services SPG. Declines related to negative price/mix, which reduced fourth quarter sales by approximately 1.4 percentage points, were driven primarily by the consumer film capture SPG and consumer output SPG. These declines were partially offset by favorable foreign exchange, which increased net sales by approximately 2.0 percentage points.

FPG segment net sales in the U.S. were $334 million for the current quarter as compared with $408 million for the fourth quarter of 2005, representing a decrease of $74 million, or 18%. FPG segment net sales outside the U.S. were $679 million for the fourth quarter of 2006 as compared with $793 million for the prior year quarter, representing a decrease of $114 million, or 14%.

Net worldwide sales of the consumer film capture SPG, including consumer roll film (35mm and APS film), one-time-use cameras (OTUC), professional films, reloadable traditional film cameras and batteries/videotape, decreased 26% in the fourth quarter of 2006 as compared with the fourth quarter of 2005, primarily reflecting industry volume declines.

Net worldwide sales for the consumer and professional output SPGs, which include color negative paper and photochemicals, decreased 10% in the fourth quarter of 2006 as compared with the fourth quarter of 2005, primarily reflecting industry volume declines and unfavorable price/mix, partially offset by favorable exchange.

Net worldwide sales for the photofinishing services SPG, which includes equipment and photofinishing services at retail on-site and Qualex in the U.S. and CIS (Consumer Imaging Services) outside the U.S., decreased 41% in the fourth quarter of 2006 as compared with the fourth quarter of 2005, reflecting continuing industry volume declines in the development and processing of consumer films.

Net worldwide sales for the entertainment imaging SPGs, including origination, intermediate, and print films for the entertainment industry were flat year-over-year.

Gross Profit

Gross profit for the FPG segment was $243 million for the fourth quarter of 2006 as compared with $333 million for the prior year quarter, representing a decrease of $90 million or 27%. The gross profit margin was 24.0% in the current quarter as compared with 27.7% in the prior year quarter. The 3.7 percentage point decrease was primarily attributable to increased manufacturing costs, which reduced gross profit margins by approximately 3.5 percentage points and were largely driven by increased silver costs. Volume declines reduced gross profit margins by approximately 0.8 percentage points, while negative price/mix unfavorably impacted gross profit margins by approximately 0.4 percentage points. These declines were partially offset by favorable exchange, which increased gross profit margins by approximately 1.1 percentage points.

Selling, General and Administrative Expenses

SG&A expenses for the FPG segment decreased $107 million, or 41%, from $262 million in the fourth quarter of 2005 to $155 million in the current quarter, and decreased as a percentage of sales from 22% in the prior year quarter to 15% in the current year quarter. The decline in SG&A was primarily attributable to cost reduction initiatives.

Research and Development Costs

R&D costs for the FPG segment decreased $9 million, or 45%, from $20 million in the fourth quarter of 2005 to $11 million in the current quarter and decreased as a percentage of sales from 2% in the prior year quarter to 1% in the current year quarter. The decrease in R&D was primarily attributable to reductions in spending related to traditional products and services.

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

Earnings from continuing operations before interest, other income (charges), net and income taxes for the FPG segment were $77 million in the fourth quarter of 2006 compared with earnings of $51 million in the fourth quarter of 2005, representing an increase of $26 million or 51%, primarily as a result of cost reductions and the other factors described above.

GRAPHIC COMMUNICATIONS GROUP

During the second quarter of 2006, the Company indicated that, as a result of ongoing integration of acquisitions within the Graphic Communications Group, it had become increasingly difficult to report results by the discrete businesses that were acquired. Therefore, results for the GCG segment are reported using the following SPG structure:

-- Digital Prepress Consumables - digital plates, chemistry, media and services

-- NexPress Color - equipment, consumables and services for NexPress color products, and direct image press equipment

-- Commercial Inkjet Printing Solutions - Versamark equipment, consumables and service

-- Workflow and Prepress - workflow software, output devices, proofing equipment, and services

-- Other Digital - electrophotographic black and white equipment and consumables, document scanners and services, wide format inkjet, imaging services

-- Traditional - analog plates, graphics and other films, paper, media equipment, archival products

As the GCG segment completes its integration process and further aligns the discrete businesses, starting in the first quarter of 2007, the GCG segment results will be reported using the following organizational structure:

-- Enterprise Solutions - workflow software and digital controller development

-- Digital Printing Solutions - all inkjet and electrophotographic products, including both equipment and consumables

-- Prepress Solutions - prepress consumables, output devices, and proofing hardware and software

-- Document Imaging Business - document scanners and services, and imaging services

Worldwide Revenues

Net worldwide sales for the Graphic Communications Group segment were $974 million for the fourth quarter of 2006 as compared with $942 million for the prior year quarter, representing an increase of $32 million, or 3%. The increase in net sales was primarily due to: (1) favorable exchange, which increased net sales by approximately 3.5 percentage points, and (2) volume increases, which increased net sales by approximately 1.3 percentage points. These increases were partially offset by negative price/mix, which reduced net sales by approximately 1.3 percentage points.

The volume increases were primarily attributable to the digital prepress consumables SPG, the NexPress Color SPG, and the workflow and prepress SPG. The negative price/mix impact was primarily driven by the digital prepress consumables SPG and workflow and prepress SPG, partially offset by price/mix improvements in the traditional prepress consumables SPG.

Net sales in the U.S. were $307 million for the current quarter as compared with $341 million for the prior year quarter, representing a decrease of $34 million, or 10%. Net sales outside the U.S. were $667 million in the fourth quarter of 2006 as compared with $601 million for the prior year quarter, representing an increase of $66 million, or 11%.

Digital Strategic Product Groups' Revenues

The Graphic Communications Group segment digital product sales are comprised of the digital prepress consumables SPG; NexPress color SPG; commercial inkjet printing solutions SPG; workflow and prepress systems SPG; and other digital SPG.

Digital product sales for the Graphic Communications Group segment were $835 million for the fourth quarter of 2006 as compared with $785 million for the prior year quarter, representing an increase of $50 million, or 6%. The increase in digital product sales was primarily attributable to increases in the digital prepress consumables SPG, the NexPress color SPG, and the workflow and prepress SPG, partially offset by declines in other digital products and services.

Net worldwide sales of digital prepress consumables increased 14% in the current quarter as compared with the prior year quarter, primarily driven by strong volume increases and favorable exchange.

Net worldwide sales for the NexPress color SPG increased 40% primarily driven by a revenue increase in NexPress color equipment and consumables. The installed base of digital production color presses continues to grow, with average monthly page volumes increasing 63% in the current quarter versus the prior year quarter.

Net worldwide sales for the workflow and prepress SPG increased 5% in the current quarter as compared with the prior year quarter, mainly driven by volume increases in workflow software and favorable exchange.

Net worldwide sales of commercial inkjet printing solutions decreased 3% in the current quarter as compared with the fourth quarter of 2005. Overall sales decreases were largely due to timing of equipment sales. Year-over-year print volume grew 11%.

Net worldwide sales of other digital products and services decreased 5% in the current quarter as compared with the prior year quarter, driven primarily by volume declines for electrophotographic black and white equipment and consumables, and wide format inkjet. These decreases were partially offset by sales increases in the document imaging business.

Traditional Strategic Product Groups' Revenues

Segment traditional product sales are primarily comprised of sales of traditional graphics products including films, paper, media, equipment, archival products, and analog plates. These sales were $139 million for the current quarter compared with $157 million for the prior year quarter, representing a decrease of $18 million, or 11%. The decrease in sales was primarily attributable to declines in analog plates and graphic films as the industry continues to transition to digital.

Gross Profit

Gross profit for the Graphic Communications Group segment was $280 million for the fourth quarter of 2006 as compared with $272 million in the prior year quarter, representing an increase of $8 million, or 3%. The gross profit margin was 28.7% in the current quarter as compared with 28.9% in the prior year quarter. The decrease in the gross profit margin of 0.2 percentage points was primarily attributable to manufacturing and other costs, which negatively impacted gross profit margins by approximately 1.0 percentage points, largely driven by increased silver and aluminum commodity costs. This decline was partially offset by favorable price/mix, which increased gross profit margins by approximately 0.5 percentage points, and favorable exchange, which positively impacted gross profit margins by approximately 0.4 percentage points.

Selling, General and Administrative Expenses

SG&A expenses for the Graphic Communications Group segment remained constant at $174 million for both the fourth quarter of 2006 and 2005 and remained constant as a percentage of sales at 18%. Realized cost integration savings were offset by redistribution of corporate costs associated with bringing acquired businesses into the Kodak portfolio.

Research and Development Costs

Fourth quarter R&D costs for the Graphic Communications Group segment decreased $20 million, or 29%, from $70 million for the fourth quarter of 2005 to $50 million for the current quarter, and decreased as a percentage of sales from 7% for the fourth quarter of 2005 to 5% for the current quarter. The year-over-year decrease was primarily driven by savings realized from integration activities.

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

Earnings from continuing operations before interest, other income (charges), net and income taxes for the Graphic Communications Group segment were $57 million in the fourth quarter of 2006 compared with earnings of $28 million in the fourth quarter of 2005, representing an increase of $29 million, or 104%. This increase in earnings is attributable to the reasons outlined above.

HEALTH GROUP

Worldwide Revenues

Net worldwide sales for the Health Group segment were $660 million for the fourth quarter of 2006 as compared with $700 million for the prior year quarter, representing a decrease of $40 million, or 6%. The decrease in sales was attributable to volume declines of approximately 7.6 percentage points, primarily driven by the radiology film SPG, digital output SPG, and the dental SPG, partially offset by the growth in the digital capture SPG, and healthcare information solutions SPG. Unfavorable price/mix reduced fourth quarter sales by approximately 1.0 percentage points, primarily driven by the digital output SPG and digital capture SPG. These declines were partially offset by favorable exchange, which increased net sales by approximately 2.8 percentage points.

Net sales in the U.S. were $222 million for the current quarter as compared with $274 million for the fourth quarter of 2005, representing a decrease of $52 million, or 19%. Net sales outside the U.S. were $438 million for the fourth quarter of 2006 as compared with $426 million for the prior year quarter, representing an increase of $12 million, or 3%.

Digital Strategic Product Groups' Revenues

Health Group segment digital sales, which include digital output (DryView laser imagers/media and wet laser printers/media), digital capture systems (computed radiography and digital radiography equipment), digital dental systems (practice management software and digital and computed radiography capture equipment), healthcare information solutions (Picture Archiving and Communications Systems (PACS), Radiology Information Systems (RIS) and Information Management Solutions (IMS)), and associated services were $460 million for the current quarter as compared with $470 million for the fourth quarter of 2005, representing a decrease of $10 million, or 2%. This sales decline was driven by declines in the digital output SPG, partially offset by growth in the digital capture SPG, the digital dental SPG, and the healthcare information solutions SPG.

Traditional Strategic Product Groups' Revenues

Segment traditional product sales, including analog and dental film, equipment, service, and chemistry, were $200 million for the current quarter as compared with $230 million for the fourth quarter of 2005, representing a decrease of $30 million, or 13%. Sales declines were primarily driven by volume decreases in traditional radiology film products and traditional dental film.

Gross Profit

Gross profit for the Health Group segment was $249 million for the fourth quarter of 2006 as compared with $256 million in the prior year quarter, representing a decrease of $7 million, or 3%. The gross profit margin was 37.7% in the current quarter as compared with 36.6% in the fourth quarter of 2005. The increase in the gross profit margin of 1.1 percentage points was principally attributable to decreases in manufacturing costs, which increased gross profit margins by approximately 2.5 percentage points, and favorable exchange, which increased gross profit margins by approximately 1.2 percentage points. Partially offsetting these increases were unfavorable price/mix, which negatively impacted gross profit margins by approximately 2.1 percentage points, primarily driven by the digital output SPG, digital capture SPG, and the healthcare information solutions SPG, and volume declines, which decreased gross profit margins by approximately 0.3 percentage points.

Selling, General and Administrative Expenses

SG&A expenses for the Health Group segment were $132 million, unchanged as compared with the fourth quarter of 2005, but increased as a percentage of sales from 19% in the prior year quarter to 20% in the current year quarter. The SG&A expenses in the current quarter include $17 million of spending related to the Company's exploration of strategic alternatives for the Health Group, offset by cost reduction activities. The Company announced on January 10, 2007 that it has reached an agreement to sell the Health Group to Onex Corporation for as much as $2.55 billion. The transaction is expected to close in the first half of 2007.

Research and Development Costs

Fourth quarter R&D costs decreased $7 million, or 18%, from $38 million in the fourth quarter of 2005 to $31 million, but remained constant as a percentage of sales at 5%. This decline is primarily attributable to planned reductions in R&D spending for the Health Group, specifically in the digital output SPG and the digital capture SPG.

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

Earnings from continuing operations before interest, other income (charges), net and income taxes for the Health segment decreased $1 million, or 1%, from $87 million for the prior year quarter to $86 million for the fourth quarter of 2006 due to the reasons described above.

ALL OTHER

Worldwide Revenues

Net worldwide sales for All Other were $20 million for the fourth quarter of 2006 as compared with $22 million for the fourth quarter of 2005, representing a decrease of $2 million, or 9%. Net sales in the U.S. were $14 million for the fourth quarter of 2006 as compared with $14 million for the prior year quarter. Net sales outside the U.S. were $6 million in the fourth quarter of 2006 as compared with $8 million in the prior year quarter, representing a decrease of $2 million, or 25%.

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

The loss from continuing operations before interest, other income (charges), net and income taxes for All Other was $72 million in the current quarter as compared with a loss of $61 million in the fourth quarter of 2005.

(Loss) Earnings From Discontinued Operations, Net of Income Taxes

There was a loss from discontinued operations in the current quarter of $1 million, or $.00 per basic and diluted share, as compared with earnings from discontinued operations in the fourth quarter of 2005 of $148 million, or $.52 per basic and diluted share. The prior year quarter earnings from discontinued operations were primarily related to a $203 million reversal of certain tax accruals as a result of a settlement between the Company and the Internal Revenue Service on the audit of the tax years 1993 through 1998. These accruals had been established in 1994 in connection with the Company's sale of its pharmaceutical, consumer health and household products businesses during that year. The tax accrual reversals were partially offset by a pension settlement charge of $54 million resulting from the finalization of the transfer of pension assets to ITT Industries, Inc. (ITT) in connection with the sale of the Company's Remote Sensing Systems business (RSS) in August 2004.

Loss From Cumulative Effect of Accounting Change, Net of Income Taxes

There was no loss from cumulative effect of accounting change, net of income taxes for the fourth quarter of 2006. The loss from cumulative effect of an accounting change, net of income taxes, of $57 million or $.20 per basic and diluted share for the fourth quarter of 2005 was the result of the Company's adoption of Financial Accounting Standards Board Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations," as of December 31, 2005. The $57 million charge recorded in the prior year represents the present value of the Company's asset retirement obligations (net of the related unamortized asset) relating to facilities with estimated settlement dates, and is primarily related to asbestos remediation costs.

NET EARNINGS (LOSS)

The consolidated net earnings for the fourth quarter of 2006 were $16 million, or $.06 per basic and diluted share, as compared with a net loss for the fourth quarter of 2005 of $46 million, or a loss of $.16 per basic and diluted share, representing an increase in earnings of $62 million or 135%. This increase is attributable to the reasons outlined above.

RESTRUCTURING COSTS AND OTHER

The Company is currently undergoing the transformation from a traditional products and services company to a digital products and services company. In connection with this transformation, the Company announced a cost reduction program in January 2004 that would extend through 2006 to achieve the appropriate business model and to significantly reduce its worldwide facilities footprint. In July 2005, the Company announced an extension to this program into 2007 to accelerate its digital transformation, which included further cost reductions that will result in a business model consistent with what is necessary to compete profitably in digital markets.

In connection with its announcement relating to the extended "2004-2007 Restructuring Program," the Company has provided estimates with respect to (1) the number of positions to be eliminated, (2) the facility square footage reduction, (3) the reduction in its traditional manufacturing infrastructure, (4) the total restructuring charges to be incurred, (5) incremental annual savings, and (6) incremental cash charges associated with these actions.

The actual charges for initiatives under this program are recorded in the period in which the Company commits to formalized restructuring plans or executes the specific actions contemplated by the program and all criteria for restructuring charge recognition under the applicable accounting guidance have been met.

Restructuring Programs Summary

The activity in the accrued restructuring balances and the non-cash charges incurred in relation to all of the restructuring programs described below were as follows for the fourth quarter of 2006:

(in millions)	Balance Sept. 30, 2006	Costs Incurred (1)	Rever- sals	Cash Pay- ments	Non- cash Settle- ments	Other Ad- justments and Reclasses (2)	Balance Dec. 31, 2006
2004-2007 Restructuring Program:							
Severance reserve	$ 300	$ (10)	$ (2)	$(111)	$ -	$ 51	$ 228
Exit costs reserve	24	16	-	(17)	-	1	24
Total reserve	$ 324	$ 6	$ (2)	$(128)	$ -	$ 52	$ 252
Long-lived asset impairments and inventory write-downs	$ -	$ 20	$ -	$ -	$ (20)	$ -	$ -
Accelerated depre- ciation	$ -	$ 58	$ -	$ -	$ (58)	$ -	$ -
Pre-2004 Restructuring Programs:							
Severance reserve	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Exit costs reserve	11	-	-	-	-	-	11
Total reserve	$ 11	$ -	$ -	$ -	$ -	$ -	$ 11
Total of all re- structuring programs	$ 335	$ 84	$ (2)	$(128)	$ (78)	$ 52	$ 263

(1) The net severance costs of $(10) million incurred in the current quarter include $58 million of gross severance charges, which were more than offset by gains on settlements and curtailments of pension obligations of $(68) million.

(2) The total restructuring charges of $84 million include: (1) pension and other postretirement charges and credits for curtailments, settlements and special termination benefits, and (2) environmental remediation charges that resulted from the Company's ongoing restructuring actions. However, because these charges and credits relate to the accounting for pensions, other postretirement benefits, and environmental remediation costs, the related impacts on the Consolidated Statement of Financial Position are reflected in their respective components as opposed to within the accrued restructuring balances at December 31, 2006. Accordingly, the Other Adjustments and Reclasses column of the table above includes: (1) reclassifications to Other long-term assets and Pension and other postretirement liabilities for the position elimination-related impacts on the Company's pension and other postretirement employee benefit plan arrangements, including net curtailment and settlement gains, and special termination benefits of $49 million, and (2) reclassifications to Other long-term liabilities for the restructuring-related impacts on the Company's environmental remediation liabilities of $1 million. Additionally, the Other Adjustments and Reclasses column of the table above includes foreign currency translation adjustments of $2 million.

The costs incurred, net of reversals, which total $82 million for the three months ended December 31, 2006, include $58 million and $4 million of charges related to accelerated depreciation and inventory write-downs, respectively, that were reported in cost of goods sold in the accompanying Consolidated Statement of Operations for the three months ended December 31, 2006. The remaining costs incurred of $20 million were reported as restructuring costs and other in the accompanying Consolidated Statement of Operations for the three months ended December 31, 2006. The severance reserve and exit costs reserve generally require the outlay of cash, while long-lived asset impairments, accelerated depreciation and inventory write-downs represent non-cash items.

2004-2007 Restructuring Program

The Company announced on January 22, 2004 that it planned to develop and execute a comprehensive cost reduction program throughout the 2004 to 2006 timeframe. The objective of these actions is to achieve a business model appropriate for the Company's traditional businesses, and to sharpen the Company's competitiveness in digital markets.

The Program was expected to result in total charges of $1.3 billion to $1.7 billion over the three-year period, of which $700 million to $900 million are related to severance, with the remainder relating to the disposal of buildings and equipment. Overall, the Company's worldwide facility square footage was expected to be reduced by approximately one-third. Approximately 12,000 to 15,000 positions worldwide were expected to be eliminated through these actions primarily in global manufacturing, selected traditional businesses and corporate administration.

On July 20, 2005, the Company announced that it would extend the restructuring activity, originally announced in January 2004, as part of its efforts to accelerate its digital transformation and to respond to a faster-than-expected decline in consumer film sales. As a result of this announcement, the overall restructuring program was renamed the "2004-2007 Restructuring Program." Under the 2004-2007 Restructuring Program, the Company expected to increase the total employment reduction to a range of 22,500 to 25,000 positions, and to reduce its traditional manufacturing infrastructure to approximately $1 billion, compared with $2.9 billion as of December 31, 2004. These changes were expected to increase the total charges under the Program to a range of $2.7 billion to $3.0 billion. Based on the actual actions taken through the end of the fourth quarter of 2006 under this Program and an understanding of the estimated remaining actions to be taken, the Company expects that the employment reductions and total charges under this Program will be within the ranges of 25,000 to 27,000 positions and $3.0 billion to $3.4 billion, respectively, as initially indicated in the second quarter 2006 Form 10-Q.

The Company implemented certain actions under the Program during the fourth quarter of 2006. As a result of these actions, the Company recorded charges of $26 million in the fourth quarter of 2006, which were composed of severance, long-lived asset impairments, exit costs and inventory write-downs of $(10) million, $16 million, $16 million and $4 million, respectively. The net severance costs of $(10) million incurred in the current quarter include $58 million of gross severance charges, which were more than offset by gains on pension curtailments and settlements of $(68) million. The severance costs related to the elimination of approximately 1,175 positions, including approximately 600 manufacturing, 350 administrative, 175 photofinishing and 50 research and development positions. The geographic composition of the positions to be eliminated includes approximately 425 in the United States and Canada and 750 throughout the rest of the world. The reduction of the 1,175 positions and the $6 million charges for severance and exit costs are reflected in the 2004-2007 Restructuring Program table below. The $16 million charge in the fourth quarter and the $88 million year-to-date charge for long-lived asset impairments were included in restructuring costs and other in the accompanying Consolidated Statement of Operations for the three and twelve months ended December 31, 2006, respectively. The charges taken for inventory write-downs of $4 million and $12 million were reported in cost of goods sold in the accompanying Consolidated Statement of Operations for the three and twelve months ended December 31, 2006, respectively.

As a result of initiatives implemented under the 2004-2007 Restructuring Program, the Company recorded $58 million and $285 million of accelerated depreciation on long-lived assets in cost of goods sold in the accompanying Consolidated Statement of Operations for the three and twelve months ended December 31, 2006, respectively. The accelerated depreciation relates to long-lived assets accounted for under the held and used model of SFAS No. 144. The fourth quarter amount of $58 million relates to $52 million of manufacturing facilities and equipment, $5 million of photofinishing facilities and equipment, and $1 million of administrative facilities and equipment that will be used until their abandonment. The year-to-date amount of $285 million relates to $11 million of photofinishing facilities and equipment, $271 million of manufacturing facilities and equipment, and $3 million of administrative facilities and equipment that will be used until their abandonment.

Under this Program, on a life-to-date basis as of December 31, 2006, the Company has recorded charges of $2,731 million, which was composed of severance, long-lived asset impairments, exit costs, inventory write-downs, and accelerated depreciation of $1,233 million, $350 million, $252 million, $68 million, and $828 million, respectively. The severance costs related to the elimination of approximately 23,375 positions, including approximately 6,200 photofinishing, 10,900 manufacturing, 1,375 research and development and 4,900 administrative positions.

The following table summarizes the activity with respect to the charges recorded in connection with the focused cost reduction actions that the Company has committed to under the 2004-2007 Restructuring Program and the remaining balances in the related reserves at December 31, 2006:

(dollars in millions)

	Number of Employees	Severance Reserve	Exit Costs Reserve	Total	Long-lived Asset Impairments and Inventory Write-downs	Accelerated Depreciation
2004 charges	9,625	$ 418	$ 99	$ 517	$ 157	$ 152
2004 reversals	-	(6)	(1)	(7)	-	-
2004 utilization	(5,175)	(169)	(47)	(216)	(157)	(152)
2004 other adj. & reclasses	-	24	(15)	9	-	-
Balance at 12/31/04	4,450	267	36	303	-	-
2005 charges	8,125	497	84	581	161	391
2005 reversals	-	(3)	(6)	(9)	-	-
2005 utilization	(10,225)	(377)	(95)	(472)	(161)	(391)
2005 other adj. & reclasses	-	(113)	4	(109)	-	-
Balance at 12/31/05	2,350	271	23	294	-	-
Q1, 2006 charges	1,175	90	19	109	38	82
Q1, 2006 reversals	-	(1)	-	(1)	-	-
Q1, 2006 utilization	(1,425)	(97)	(14)	(111)	(38)	(82)
Q1, 2006 other adj. & reclasses	-	6	1	7	-	-
Balance at 03/31/06	2,100	269	29	298	-	-
Q2, 2006 charges	1,625	141	20	161	14	72
Q2, 2006						

reversals	-	-	(1)	(1)	-	-
Q2, 2006 utilization	(1,300)	(118)	(15)	(133)	(14)	(72)
Q2, 2006 other adj. & reclasses	-	(12)	(4)	(16)	-	-
Balance at 06/30/06	2,425	280	29	309	-	-
Q3, 2006 charges	1,650	97	14	111	28	73
Q3, 2006 utilization	(1,075)	(90)	(21)	(111)	(28)	(73)
Q3, 2006 other adj. & reclasses	-	13	2	15	-	-
Balance at 09/30/06	3,000	300	24	324	-	-
Q4, 2006 charges	1,175	(10)	16	6	20	58
Q4, 2006 reversals	-	(2)	-	(2)	-	-
Q4, 2006 utilization	(1,900)	(111)	(17)	(128)	(20)	(58)
Q4, 2006 other adj. & reclasses	-	51	1	52	-	-
Balance at 12/31/06	2,275	$ 228	$ 24	$ 252	$ -	$ -

As a result of the initiatives already implemented under the 2004-2007 Restructuring Program, severance payments will be paid during periods through 2008 since, in many instances, the employees whose positions were eliminated can elect or are required to receive their payments over an extended period of time. Most exit costs have been paid during 2006. However, certain costs, such as long-term lease payments, will be paid over periods after 2006.

The charges of $84 million recorded in the fourth quarter of 2006 included $26 million applicable to the Film and Photofinishing Systems Group segment, $9 million applicable to the Consumer Digital Imaging Group segment, $15 million applicable to the Graphic Communications Group segment, and $11 million applicable to the Health Group segment. The balance of $23 million was applicable to manufacturing, research and development, and administrative functions, which are shared across all segments.

The restructuring actions implemented during the fourth quarter of 2006 under the 2004-2007 Restructuring Program are expected to generate future annual cost savings of approximately $73 million, of which approximately $71 million represents future annual cash savings. These cost savings began to be realized by the Company beginning in the fourth quarter of 2006, and are expected to be fully realized by the end of 2007 as most of the actions and severance payouts are completed. These total cost savings are expected to reduce future cost of goods sold, SG&A, and R&D expenses by approximately $42 million, $25 million, and $6 million, respectively.

Based on all of the actions taken to date under the 2004-2007 Restructuring Program, the program is expected to generate annual cost savings of approximately $1,385 million, including annual cash savings of $1,331 million, as compared with pre-program levels. The Company began realizing these savings in the second quarter of 2004, and expects the savings to be fully realized by the end of 2007 as most of the actions and severance payouts are completed. These total cost savings are expected to reduce cost of goods sold, SG&A, and R&D expenses by approximately $897 million, $351 million, and $137 million, respectively.

The above savings estimates are based primarily on objective data related to the Company's severance actions. Savings resulting from facility closures and other non-severance actions that are more difficult to quantify are not included. The Company has updated its estimate of total annual cost savings under the extended 2004-2007

Restructuring Program to $1.6 billion to $1.8 billion, as announced in July 2005, based on the additional charges expected to be incurred, as discussed above.

Pre-2004 Restructuring Programs

At December 31, 2006, the Company had remaining exit costs reserves of $11 million relating to restructuring plans committed to or executed prior to 2004. Most of these remaining exit costs reserves represent long-term lease payments, which will continue to be paid over periods throughout and after 2006.

CASH FLOW ACTIVITY

The Company's cash and cash equivalents decreased $196 million from $1,665 million at December 31, 2005 to $1,469 million at December 31, 2006. The decrease resulted primarily from $947 million of net cash used in financing activities, $225 million of net cash used in investing activities, partially offset by $956 million of net cash provided by operating activities.

The net cash provided by operating activities of $956 million was primarily attributable to the Company's net loss of $601 million which, when adjusted for equity in earnings from unconsolidated affiliates, depreciation and amortization, the gain on sales of businesses/assets, restructuring costs, asset impairments and other non-cash charges, and provision for deferred taxes, provided $872 million of operating cash. Additionally, decreases in inventories of $271 million and decreases in receivables of $157 million, offset by decreases in liabilities excluding borrowings of $116 million, contributed to operating cash. The decrease in inventories is primarily due to planned inventory reductions driven by corporate initiatives, seasonality and a decline in demand for traditional products. The decrease in receivables was primarily caused by the continued industry decline in sales of traditional products and services. The decrease in liabilities excluding borrowings was primarily a result of a decrease in accounts payable related to the decrease in inventories. Included in the items above was approximately $315 million of net cash provided by non-recurring licensing arrangements and $548 million of cash used in restructuring activities during the period.

The net cash used in investing activities of $225 million was utilized primarily for capital expenditures of $379 million, partially offset by net proceeds from the sale of assets of $178 million. The net cash used in financing activities of $947 million was the result of net payments of borrowings of $803 million and dividend payments of $144 million.

The Company's primary uses of cash include restructuring payments, debt payments, capital additions, dividend payments, employee benefit plan payments/contributions, and working capital needs.

Capital additions were $379 million in the twelve months ended December 31, 2006, with the majority of the spending supporting new products, manufacturing productivity and quality improvements, infrastructure improvements, equipment placements with customers, and ongoing environmental and safety initiatives.

During the twelve months ended December 31, 2006, the Company expended $548 million against restructuring reserves and pension and other postretirement liabilities, primarily for the payment of severance benefits. Certain employees whose positions were eliminated could elect to receive severance payments for up to two years following their date of termination.

The Company has a dividend policy whereby it makes semi-annual payments which, when declared, will be paid on the Company's 10th business day each July and December to shareholders of record on the close of the first business day of the preceding month. On May 10, 2006, the Board of Directors declared a semi-annual cash dividend of $.25 per share payable to shareholders of record at the close of business on June 1, 2006. This dividend was paid on July 18, 2006. On October 17, 2006 the Board of Directors declared a semi-annual cash dividend of $.25 per share payable to shareholders of record at the close of business on November 1, 2006. This dividend was paid on December 14, 2006.

The Secured Credit Agreement contains various affirmative and negative covenants customary in a facility of this type, including two quarterly financial covenants: (1) a consolidated debt for borrowed money to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) (subject to adjustments to exclude any extraordinary income or losses, as defined by the Secured Credit Agreement, interest income and certain non-cash items of income and expense) ratio of not greater than: 3.50 to 1 as of December 31, 2006 and thereafter, and (2) a consolidated EBITDA to consolidated interest expense (subject to adjustments to exclude interest expense not related to borrowed money) ratio, on a rolling four-quarter basis, of no less than 3 to 1.

As of December 31, 2006, the Company's consolidated debt to EBITDA ratio was 1.92 and the consolidated EBITDA to consolidated interest ratio was 6.07. Consolidated EBITDA and consolidated interest expense, as adjusted, are non-GAAP financial measures. The Company believes that the presentation of the consolidated debt to EBITDA and EBITDA to consolidated interest expense financial measures is useful information to investors, as it provides information as to how the Company actually performed against the financial requirements under the Secured Credit Facilities, and how much headroom the Company has within these covenants.

The following table reconciles EBITDA, as included in the computation of the consolidated debt to EBITDA ratio under the Secured Credit Agreement covenants, to the most directly comparable GAAP measure of loss from continuing operations before interest, other income (charges), net and income taxes:

(in millions)	Rolling Four Quarter Total	Fourth Quarter 2006	Third Quarter 2006	Second Quarter 2006	First Quarter 2006
Net (loss) earnings	$ (601)	$ 16	$ (37)	$ (282)	$ (298)
Plus:					
Interest expense	262	60	74	66	62
Provision for income taxes	254	181	19	51	3
Depreciation and amortization	1,331	315	300	345	371
Non-cash restructuring charges and asset write-downs/impairments	247	76	38	77	56
Non-cash stock compensation expense	17	-	3	8	6
Non-cash equity in (earnings) loss from unconsolidated affiliates	(1)	7	(1)	(7)	-
Total additions to calculate EBITDA	2,110	639	433	540	498
Less:					
Investment income	(60)	(16)	(14)	(13)	(17)
Total subtractions to calculate EBITDA	(60)	(16)	(14)	(13)	(17)
EBITDA, as included in the debt to EBITDA ratio as presented	$ 1,449	$639	$ 382	$ 245	$ 183

(in millions)	Rolling Four Quarter Total	Fourth Quarter 2006	Third Quarter 2006	Second Quarter 2006	First Quarter 2006

(Following is a reconciliation to the most directly comparable GAAP measure)

EBITDA, as included in the debt to EBITDA ratio as presented	$ 1,449	$ 639	$ 382	$ 245	$ 183
Depreciation and amortization	(1,331)	(315)	(300)	(345)	(371)
Non-cash restructuring charges and asset write-downs/impairments	(247)	(76)	(38)	(77)	(56)
Other adjustments, net	(73)	(26)	(42)	10	(15)
(Loss) earnings from continuing operations before interest, other income (charges), net and income taxes	$ (202)	$ 222	$ 2	$ (167)	$ (259)

The following table reconciles interest expense, as adjusted, as included in the computation of the EBITDA to interest expense ratio under the Secured Credit Agreement covenants, to the most directly comparable GAAP measure of interest expense:

(in millions)	Rolling Four Quarter Total	Fourth Quarter 2006	Third Quarter 2006	Second Quarter 2006	First Quarter 2006
Interest expense, as included in the EBITDA to interest expense ratio	$ 239	$ 55	$ 62	$ 62	$ 60
Adjustments to interest expense for purposes of the covenant calculation	23	5	12	4	2
Interest expense	$ 262	$ 60	$ 74	$ 66	$ 62

Adjustments to interest expense relate to items that are not debt for borrowed money, including interest relating to capital leases and interest relating to tax matters.

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

Certain statements in this report may be forward-looking in nature, or "forward-looking statements" as defined in the United States Private Securities Litigation Reform Act of 1995. For example, references to expectations for the Company's successful monetization of intellectual property, the closing of the sale of the Health Group, employment reductions, costs of and savings from the restructuring programs, and achievement of the Company's digital business model are forward-looking statements.

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

- execution of the digital growth and profitability strategies, business model and cash plan;

-- implementation of the cost reduction programs;

-- transition of certain financial processes and administrative functions to a global shared services model and the outsourcing of certain functions to third parties;

-- implementation of, and performance under, the debt management program, including compliance with the Company's debt covenants;

-- development and implementation of product, go-to-market and e-commerce strategies;

-- protection, enforcement and defense of the Company's intellectual property, including defense of our products against the intellectual property challenges of others;

-- implementation of intellectual property licensing and other strategies;

-- completion of information systems upgrades, including SAP, the Company's enterprise system software;

-- completion of various portfolio actions;

-- reduction of inventories;

-- integration of acquired businesses;

-- improvement in manufacturing productivity and techniques;

-- improvement in receivables performance;

-- improvement in supply chain efficiency; and

-- implementation of the strategies designed to address the decline in the Company's traditional businesses.

The forward-looking statements contained in this report are subject to the following additional risk factors:

-- inherent unpredictability of currency fluctuations, commodity prices and raw material costs;

-- competitive actions, including pricing;

-- changes in the Company's debt credit ratings and its ability to access capital markets;

-- the nature and pace of technology evolution;

-- changes to accounting rules and tax laws, as well as other factors which could impact the Company's reported financial position or effective tax rate;

-- general economic, business, geo-political and regulatory conditions;

-- market growth predictions;

-- continued effectiveness of internal controls; and

-- other factors and uncertainties disclosed from time to time in the Company's filings with the Securities and Exchange Commission.

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

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF OPERATIONS - UNAUDITED
(in millions, except per share data)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2006	2005	2006	2005

Net sales	$ 3,821	$ 4,197	$ 13,274	$ 14,268
Cost of goods sold	2,814	3,230	9,906	10,650
Gross profit	1,007	967	3,368	3,618
Selling, general and administrative expenses	595	767	2,389	2,668
Research and development costs	170	212	710	892
Restructuring costs and other	20	159	471	690
Earnings (loss) from continuing operations before interest, other income (charges), net and income taxes	222	(171)	(202)	(632)
Interest expense	60	67	262	211
Other income (charges), net	36	55	118	44
Earnings (loss) from continuing operations before income taxes	198	(183)	(346)	(799)
Provision (benefit) for income taxes	181	(46)	254	555
Earnings (loss) from continuing operations	$ 17	$ (137)	$ (600)	$ (1,354)
(Loss) earnings from discontinued operations, net of income taxes	$ (1)	$ 148	$ (1)	$ 150
Cumulative effect of accounting change	$ -	$ (57)	$ -	$ (57)
NET EARNINGS (LOSS)	$ 16	$ (46)	$ (601)	$ (1,261)
Basic and diluted net earnings (loss) per share:				
Continuing operations	$ .06	$ (.48)	$ (2.09)	$ (4.70)
Discontinued operations	-	.52	-	.52
Effect of accounting change	-	(.20)	-	(.20)
Total	$ .06	$ (.16)	$ (2.09)	$ (4.38)
Number of common shares used in basic net loss per share	287.3	287.2	287.3	287.9
Incremental shares from assumed conversion of options	0.2	-	-	-
Number of common shares used in diluted net loss per share	287.5	287.2	287.3	287.9

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION - UNAUDITED
(in millions)

	December 31, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,469	$ 1,665

Receivables, net	2,669	2,760
Inventories, net	1,202	1,455
Deferred income taxes	108	100
Other current assets	109	116
Total current assets	5,557	6,096
Property, plant and equipment, net	2,842	3,778
Goodwill	2,196	2,141
Other long-term assets	3,556	3,221
TOTAL ASSETS	$ 14,151	$ 15,236
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	$ 4,144	$ 4,187
Short-term borrowings	64	819
Accrued income taxes	588	483
Total current liabilities	4,796	5,489
OTHER LIABILITIES		
Long-term debt, net of current portion	2,714	2,764
Pension and other postretirement liabilities	4,008	3,476
Other long-term liabilities	1,281	1,225
Total liabilities	12,799	12,954
SHAREHOLDERS' EQUITY		
Common stock at par	978	978
Additional paid in capital	881	867
Retained earnings	5,967	6,717
Accumulated other comprehensive loss	(671)	(467)
	7,155	8,095
Less: Treasury stock at cost	5,803	5,813
Total shareholders' equity	1,352	2,282
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 14,151	$ 15,236

EASTMAN KODAK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED
(in millions)

	Twelve Months Ended December 31	
	2006	2005
Cash flows relating to operating activities:		
Net loss	$ (601)	$ (1,261)
Adjustments to reconcile to net cash provided by operating activities:		
Loss (earnings) from discontinued operations	1	(150)
Loss from cumulative effect of accounting change	-	57
Equity in earnings from unconsolidated affiliates	(1)	(12)
Depreciation and amortization	1,331	1,402
Purchased research and development	-	54
Gain on sales of businesses/assets	(65)	(78)
Restructuring costs, asset impairments and other non-cash charges	141	195

Provision for deferred taxes	67	343
Decrease in receivables	157	228
Decrease in inventories	271	306
Decrease in liabilities excluding borrowings	(116)	(118)
Other items, net	(229)	214
Total adjustments	1,557	2,441
Net cash provided by continuing operations	956	1,180
Net cash provided by discontinued operations	-	28
Net cash provided by operating activities	956	1,208
Cash flows relating to investing activities:		
Additions to properties	(379)	(472)
Net proceeds from sales of assets	178	130
Acquisitions, net of cash acquired	(3)	(984)
(Investments in) distributions from unconsolidated affiliates	(19)	34
Marketable securities - purchases	(135)	(194)
Marketable securities - sales	133	182
Net cash used in investing activities	(225)	(1,304)
Cash flows relating to financing activities:		
Net decrease in borrowings with original maturity of 90 days or less	(11)	(126)
Proceeds from other borrowings	765	2,520
Debt issuance costs	-	(57)
Repayment of other borrowings	(1,557)	(1,672)
Dividend payments	(144)	(144)
Exercise of employee stock options	-	12
Net cash (used in) provided by financing activities	(947)	533
Effect of exchange rate changes on cash	20	(27)
Net (decrease) increase in cash and cash equivalents	(196)	410
Cash and cash equivalents, beginning of year	1,665	1,255
Cash and cash equivalents, end of quarter	$ 1,469	$ 1,665

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

	Three Months Ended December 31			Twelve Months Ended December 31		
	2006	2005	Change	2006	2005	Change
Consumer Digital Imaging Group						
Inside the U.S.	$ 818	$ 939	- 13%	$ 1,872	$ 2,034	- 8%
Outside the U.S.	336	393	- 15	1,048	1,181	- 11
Total Consumer Digital Imaging Group	1,154	1,332	- 13	2,920	3,215	- 9

Film and Photofinishing Systems Group						
Inside the U.S.	334	408	-18	1,359	1,767	- 23
Outside the U.S.	679	793	-14	2,797	3,558	- 21
Total Film and Photofinishing Systems Group	1,013	1,201	-16	4,156	5,325	- 22
Graphic Communications Group						
Inside the U.S.	307	341	- 10	1,248	1,079	+ 16
Outside the U.S.	667	601	+ 11	2,384	1,911	+ 25
Total Graphic Communications Group	974	942	+ 3	3,632	2,990	+ 21
Health Group						
Inside the U.S.	222	274	- 19	914	1,052	- 13
Outside the U.S.	438	426	+ 3	1,583	1,603	- 1
Total Health Group	660	700	- 6	2,497	2,655	- 6
All Other						
Inside the U.S.	14	14	0	52	47	+11
Outside the U.S.	6	8	- 25	17	36	-53
Total All Other	20	22	- 9	69	83	- 17
Consolidated total	$3,821	$4,197	- 9%	$13,274	$14,268	- 7%

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

	Three Months Ended December 31			Twelve Months Ended December 31		
	2006	2005	Change	2006	2005	Change
Consumer Digital Imaging Group	$ 150	$ 40	+275%	$ 1	$ (131)	+100%
Percent of Sales	13%	3%		0%	(4)%	
Film and Photofinishing Systems Group	$ 77	$ 51	+ 51%	$ 358	$ 540	-34%
Percent of Sales	8%	4%		9%	10%	
Graphic Communications Group	$ 57	$ 28	+104%	$ 141	$ (41)	+444%
Percent of Sales	6%	3%		4%	(1)%	
Health Group	$ 86	$ 87	- 1%	$ 278	$ 370	- 25%
Percent of Sales	13%	12%		11%	14%	
All Other	$ (72)	$ (61)	- 18%	$ (214)	$ (231)	+ 7%
Percent of Sales	(360)%	(277)%		(310)%	(278)%	
Total of segments	$ 298	$ 145	+106%	$ 564	$ 507	+ 11%
Percent of Sales	8%	3%		4%	4%	
Restructuring costs and other	(82)	(295)		(768)	(1,118)	
Legal settlement	6	(21)		2	(21)	
Interest expense	(60)	(67)		(262)	(211)	

Other income (charges), net	36	55		118	44	
Consolidated earnings (loss) from continuing operations before income taxes	$ 198	$ (183)	+ 208%	$ (346)	$ (799)	+ 57%