IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

ELAN PHARMA INTERNATIONAL LIMITED,	§	
Plaintiff,	§	
v.	§	Case No. 06-438-GMS
ABRAXIS BIOSCIENCE, INC.,	§	**REDACTED PUBLIC VERSION**
Defendant.	§	

DECLARATION OF LINDA M. GLOVER IN SUPPORT OF PLAINTIFF ELAN PHARMA INTERNATIONAL LIMITED'S ANSWERING BRIEF TO DEFENDANT ABRAXIS BIOSCIENCE, INC.'S MOTION TO COMPEL PRODUCTION OF WITHHELD AND/OR UNREDACTED VERSIONS OF DOCUMENTS CREATED BY OR FOR THIRD PARTIES

I, Linda M. Glover, hereby declare as follows:

1. I am an attorney licensed to practice in the State of Texas, and I am admitted *pro hac vice* to practice in the above-captioned matter. I am an associate with the law firm of Baker Botts L.L.P., attorneys for Plaintiff Elan Pharma International Limited in the above-captioned matter. I submit this Declaration in support of Plaintiff Elan Pharma International Limited's Answering Brief To Defendant Abraxis BioScience, Inc.'s Motion To Compel Production Of Withheld And/Or Unredacted Versions of Documents Created By Or For Third Parties. I have personal knowledge of the matters set forth herein, and if called upon to do so, I could and would competently testify thereto.

2. Attached hereto as Exhibit A is a true and correct copy of Elan/Nanosystems/Kodak Asset Puchase Agreement.

3. Attached hereto as Exhibit B is a true and correct copy of the declaration of David Czekai.

4. Attached hereto as Exhibit C is a true and correct copy of "Bayer Group" Med Ad News 47, 9/1/1996.

5. Attached hereto as Exhibit D is Mary Welch, "Nanosystems' Crystal Method Nets $30M Deal with Merk," Bioworld Today 9:157, August 17, 1998.

6. Attached hereto as Exhibit E is a true and correct copy of AP Online, "Biggest Drug Company Mergers," 8/21/95.

7. Attached hereto as Exhibit F is a true and correct copy of "History of Kodak: 1990-1999," available at:

http://www.kodak.com/global/en/corp/historyOfKodak/1990.jhtml?pq-path=2217/2687/2695/2703, last visited August 22, 2007.

8. Attached hereto as Exhibit G is a true and correct copy of Milt Freudenheim, "New Venture May Resolve Kodak Issue," New York Times, 1/10/1991.

9. Attached hereto as Exhibit H is is true and correct copy of Eastman Kodak Co., Form 10-Q, filing date 11/14/1994.

10. Attached hereto as Exhibit I is a true and correct copy of Eastman Kodak Co., Form 10-Q, filing date 11/10/1998.

Pursuant to 28 U.S.C. § 1746, I affirm and declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

FURTHER AFFIANT SAYETH NOT.

Executed this 22nd day of August 2007 in Houston, Texas.

Linda M. Glover

EXHIBIT A

REDACTED

EXHIBIT B

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

ELAN PHARMA INTERNATIONAL LIMITED,	§	
Plaintiff,	§	
v.	§	Case No. 06-438-GMS
ABRAXIS BIOSCIENCE, INC.,	§	
Defendant.	§	

DECLARATION OF DAVID CZEKAI IN SUPPORT OF PLAINTIFF ELAN PHARMA INTERNATIONAL LIMITED'S ANSWERING BRIEF TO DEFENDANT ABRAXIS BIOSCIENCE, INC.'S MOTION TO COMPEL PRODUCTION OF WITHHELD AND/OR UNREDACTED VERSIONS OF DOCUMENTS CREATED BY OR FOR THIRD PARTIES

I, David Czekai, declare as follows:

1. I am employed by Elan Drug Delivery Inc., an affiliate of Elan Pharma International Ltd., as Vice President and General Manager. I have been employed by Elan since August 21, 1998. Prior to that date, I was employed by NanoSystems L.L.C.

2. Prior to its purchase by Elan, NanoSystems was a subsidiary of Eastman Kodak, and an affiliate company to Sterling Drug, Sterling Winthrop, Inc., and Particulate Prospects, Inc.

3. Each of these companies were involved to some extent in the preparation and delivery of stable nanoparticulate formulations for use in the pharmaceutical and drug industry.

4. As these companies were involved in similar enterprises they often shared documents.

5. The primary focus of NanoSystems' business was the preparation and delivery of stable nanoparticulate formulations for use in the pharmaceutical and drug industry.

6. Like NanoSystems, Elan's business has been, and continues to be, the preparation and delivery of stable nanoparticulate formulations for use in the pharmaceutical and drug industry.

7. Elan has continued the research initiated by NanoSystems or its affiliate companies. Activities similar to those conducted by NanoSystems occur in some of the same laboratories originally used by NanoSystems.

8. Following Elan's acquisition of NanoSystems, the majority of NanoSystems' personnel continued to work at Elan. Even today, a substantial number of former NanoSystems employees continue to work at Elan.

David Czekai

EXHIBIT C

9/1/96 Med Ad News 47
1996 WLNR 4459960

Med Ad News
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September 1, 1996

Bayer Group

Worldwide revenue

	1995	% Chg. fr. '94
Health care products	$7,764.3	(0.6)
Industrial products	5,802.8	6.2
Polymers	5,732.9	9.1
Agfa	4,571.3	(3.2)
Organic products	4,125.9	0.6
Agrochemicals	3,177.6	5.6
Net sales	31,174.8	2.7

Costs and expenses

	1995	% Chg. fr. '94
Cost of sales	$17,911.2	4.0
Selling, general, admin.	7,899.3	(1.6)
Research and development	2,279.0	2.6
Other	755.2	(42.1)
Total	28,844.7	0.2

Earnings

% Chg.

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	1995	fr. '94
Net earnings	$1,674.1	21.5
Net earnings per share	23.80	19.6

Balance sheet data

	1995	% Chg. fr. '94
Working capital	NA	NA
Total assets	$30,976.2	4.6
Shareholders' equity	12,797.9	7.3

Dollars are in millions, except earnings per share data.

Business review: Despite considerable turbulence in the currency markets, 1995 was a banner year for **Bayer** Group, with group net income at an all-time high. Productivity increased along with consumer demand for **Bayer** products in 1995, offsetting the dilution effect of the company's $1 billion purchase of **Sterling Winthrop** Inc.'s North American over-the-counter drug business in **1994**. **Bayer** streamlined its operations in 1995 by divesting the dental and medical plastics business and the Sionon brand of sweeteners. This, managers say will allow them to better concentrate on core brands, such as **Bayer** Aspirin, Alka-Seltzer, and Baygon.

A noteworthy benefit of the purchase of **Sterling Winthrop's** over-the-counter products was that **Bayer** regained use of its name and trademark in the United States, Canada, and Puerto Rico.

1995 marked the first year **Bayer's** wholly owned U.S. subsidiary, formerly known as Miles Inc., operated under the new **Bayer** Corp. name. This allows the subsidiary to capitalize on its affiliation with its well-regarded German-based parent company. **Bayer** had lost the use of its name during World War I, when the U.S. government confiscated the property of German businesses.

An expanded **Bayer** line and the launch of new nonprescription products helped boost sales. The **Bayer** Aspirin line was expanded with the introduction of **Bayer** Aspirin PM, **Bayer** Extra Strength, and Aspirin Regimen **Bayer** 81 mg with Calcium.

In early 1996 Actron was launched. Actron was switched from prescription and is a new low-dose pain reliever. Also contributing to the company's performance were world market blockbusters Cipro, the most widely prescribed quinolone anti-infective in the United States, and Adalat CC, a low-cost, once-daily product for hypertension. These two were **Bayer's** most successful pharmaceutical products again in 1995, recording sales of more than Dm1.8 billion each ($1.26 billion).

In early 1996, **Bayer** sought to expand the market for Cipro by submitting a supplemental new drug application with federal regulators to sell the product as a pediatric treatment for acute pulmonary infections often experienced by children with cystic fibrosis.

Sales of Adalat, a calcium channel blocker, are expected to remain strong thanks to

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an advisory committee announcement that quashed most concerns about the safety and efficacy of calcium channel blockers. Concerns were noted when a study reported a possible link between high doses of short-acting calcium channel blockers and an increased risk of myocardial infarction.

As a group of companies, **Bayer** generated 1995 net revenue of Dm44.58 billion ($31.17 billion), about a 3% increase over **1994**.

In Europe, sales were up 6% to Dm23.43 billion ($16.38 billion). European markets contributed about 60% of both the total product sales and operating results. Above-average growth rates were registered in Spain, France, and Scandinavia. Product sales were up 10% in North America in 1995, but because of the weak performance of the U.S. dollar, actual sales were down 3% compared with **1994** to Dm10 billion ($6.99 billion). This region generated 23% of total sales. Sales in Latin America were down 2% because of the weak dollar, totaling Dm2.85 billion ($2.0 billion). Sales in the Asia, Africa, and Australia region were down 6% compared with **1994** to Dm8.35 billion ($5.84 billion) due to economic weakness in Japan.

Bayer's health care segment - comprising pharmaceuticals, consumer care, and diagnostic products - accounted for Dm11.1 billion ($7.76 billion) of net sales, down 0.6% compared with **1994**, primarily due to the translation to weak U.S. dollars. The outlook for **Bayer** health care product sales is good for 1996 with reported sales in the first quarter totaling Dm2.89 billion, up 3% over the first quarter of 1995. Overall, the company's health care segment generates 24.9% of the **Bayer** group sales.

One of the most positive effects on the health care segment in 1995 was the divestiture of the company's dental and medical plastics business units as well as some consumer care product lines. The company also sold its Sionon brand of sweeteners. Other divestitures are planned in the near future, including Natreen, the artificial sweetener, and the skin and body care brands. Company managers want to focus on nonprescription medicines.

To keep its leading role in the steadily demanding, competitive pace of the medical products industry, **Bayer** officials made two major strategic decisions in 1995 designed to speed up research and development efforts and to increase flexibility in the pharmaceutical segment so the company is able to react to changing market conditions in the future. Company officials decentralized global pharmaceutical operations, creating four regional centers. The move enhanced the company's ability to tailor customer services. The company separated discovery research and product development to increase the speed, accountability, and effectiveness of these separate functions.

Like **1994**, the major share of 1995 research and development expenses at **Bayer** again went to researching innovative drugs and self-medication products for the company's health care segment. The company spent Dm1.3 billion ($909 million) on health care research.

Major research and development highlights in 1995 were the opening of a new pharmaceutical research center in Kansai Science City, Japan, which will work on potential treatments for allergies and immune system diseases, and the introduction of Precose, an innovative drug for treating Type II diabetes mellitus. The first of its kind, Precose slows the digestion of carbohydrates, using the gut to treat diabetes.

Some of the most exciting research and development at **Bayer** has been in biotechnology. By late 1995, Kogenate, **Bayer's** first biotechnology drug that is

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used to treat hemophilia, was approved for sale in 22 countries.

Demand exceeded production capacity for **Bayer** plasma products, but a $150 million expansion project is under way at the Clayton, N.C. plant, one of the world's largest plasma fractionation facilities. Completion is scheduled for 1999. In 1995, construction of a $100 million biotech plant in Berkeley, Calif., expected to be operational by 1997, was completed. Other biotech products are in the pipeline.

In the growing but competitive over-the-counter market, **Bayer** managed to integrate its new over-the-counter business with its old, while maintaining momentum in the marketplace and even gaining a strong foothold. Over-the-counter sales of Dm2.67 billion ($1.87 billion), a 9.6% increase over last year, were above the industry average.

After acquiring **Sterling Winthrop** in late **1994**, **Bayer** began operating its expanded over-the-counter business as one unit in January 1995. As part of the deal, **Bayer** picked up Midol menstrual analgesic, Stridex acne medication, and Philips' Milk of Magnesia laxative.

A $28 million permanent headquarters and research and development center for the consumer care segment is scheduled to be completed in Morris Township, N.J. in 1996.

Following the successful launch of Actron analgesic and Bayclear athlete's foot antifungal treatment in Japan, further over-the-counter expansion for **Bayer**, say managers, will center on globally marketing **Bayer's** better known brand name products.

Despite heavy competition in the adult analgesic market, **Bayer**, is quickly gaining ground and adding to its already world-prominent share of this market. In the last quarter of 1995, **Bayer** Aspirin sales were up nearly 9% compared with the same period in **1994**; this was the largest increase in more than five years. Analysts contend that this is due to both a return to simpler forms of pain relief prompted by consumer confusion about the countless numbers of pain relievers and to increasing evidence that aspirin protects the heart.

Best-sellers, such as Alka Seltzer antacid and pain remedy and Alka Seltzer Plus cold and flu remedy, One-A-Day Vitamins, and Mycelex-7 yeast infection medication also had improved sales in 1995, despite heavy competition.

In the company's diagnostics category, sales were down 7.2% compared with **1994**, totaling Dm1.50 billion ($1.05 billion). Following extensive restructuring in recent years, this group's operating result is gradually improving.

The company increased its leadership position in the world diagnostic market, where **Bayer** is now the fourth largest company. Due in part to increased sales of its Clinitek urinalysis system, **Bayer's** market share in urinalysis diagnostics now exceeds 60%.

The division also achieved good results in the alternate care market due to its strong sales of diabetes systems, including Glucometer Encore and Glucometer Elite blood glucose testing products, and urine chemistry analyzers and reagent strips, which led the market in 1995. Adhering to the company's goal to concentrate on core products, **Bayer** sold its histology and cytology product lines in January 1995.

In addition to the health care segment, **Bayer** operates five other divisions. They are: polymers, with 1995 sales of Dm8.19 billion ($5.73 billion), an increase of

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9.1% compared with **1994**; organic products, with sales of Dm5.90 billion ($4.13 billion), a 0.6% increase; industrial products, with sales of Dm8.30 billion ($5.80 billion), an increase of 6.2% over **1994**; agricultural, with sales of Dm4.54 billion ($3.18 billion), an increase of 5.6% over **1994**; and Agfa Group, with sales of Dm6.54 billion ($4.57 billion), a 3.2% decrease compared with **1994**.

Management: Dr. Manfred Schneider, chm.; Dr. Walter Wenninger, vice chm.; H. Meyer, div. mgr. pharma.; Werner Spinner, div. mgr., consumer care; R.A. Classon, div. mgr., diagnostics; Helge Wehmeier, pres. and CEO, **Bayer** Corp.

Headquarters: 51368 Leverkusen, Germany; telephone: +49-214-30-8126

U.S. office: **Bayer** Corp., 500 Grant St., Pittsburgh, Pa. 15219; telephone: 412-394-5500

---- INDEX REFERENCES ----

COMPANY: MILES INC; SANOFI AVENTIS; BAYER AG; BAYER CORP

NEWS SUBJECT: (Corporate Financial Data (1XO59); Forecasts (1FO11); Divestments & Spinoffs (1DI75); Major Corporations (1MA93); Health & Family (1HE30); General Interest Diabetes (1GE92))

INDUSTRY: (Pharmaceuticals & Biotechnology (1PH13); Healthcare Services (1HE13); Chemicals (1CH04); Agrochemicals (1AG08); Manufacturing (1MA74); Chemical Industry Trends & Policies (1CH63); Analgesics (1AN10); Trends in Technology (1TR23); Fungal (1FU80); Personal Care & Beauty Aids (1PE87); Antibiotics (1AN81); Clinical Laboratory (1CL83); Infectious Diseases (1IN99); Science & Engineering (1SC33); Healthcare (1HE06); Consumer Products & Services (1CO62); Clinical Diagnostics (1DI45); Agriculture (1AG63); Agriculture, Food & Beverage (1AG53); Prescription Drugs (1PR52))

REGION: (North America (1NO39); Western Europe (1WE41); Eastern Asia (1EA61); Germany (1GE16); Europe (1EU83); Central Europe (1CE50); Americas (1AM92); Japan (1JA96); Asia (1AS61); USA (1US73))

Language: EN

OTHER INDEXING: (AGFA GROUP; ALKA SELTZER; ASPIRIN REGIMEN **BAYER** 81; **BAYER**; **BAYER** ASPIRIN; **BAYER** ASPIRIN ALKA SELTZER; **BAYER** CORP; **BAYER** EXTRA STRENGTH; **BAYER** GROUP; KOGENATE; MILES INC; NEW **BAYER** CORP; SCANDINAVIA; SIONON; **STERLING WINTHROP**; **STERLING WINTHROP** INC) (Actron; Agfa 4; Bayclear; Chg; Glucometer Elite; Glucometer Encore; H. Meyer; Helge Wehmeier; Manfred Schneider; NA NA; Natreen; R.A. Classon; Stridex; Walter Wenninger; Werner Spinner; Worldwide) (Trade; INDUSTRY; COMPANY) (Advertising, Marketing and Public Relations (ADV); Any type of business (BUSN); Company Planning/Goals (55)) (Sales, profits & dividends (830)) (Germany (4EUGE))

COMPANY TERMS: **BAYER** AG

PRODUCT: Chemicals & Allied Products; Chemical Manufacturing2800000

NAICS CODE: 325

Word Count: 2189
9/1/96 MEDADNEWS 47
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EXHIBIT D

8/17/98 BIOWORLD Today (Pg. Unavail. Online)
1998 WLNR 3621341

BIOWORLD Today
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August 17, 1998

Volume Vol. 9; Issue 157

NANOSYSTEMS' CRYSTAL METHOD NETS $30M DEAL WITH MERCK By Mary Welch Staff Writer

NanoSystems LLC and Merck & Co. Inc. entered a $30 million license agreement - their third - under which NanoSystems will develop a formulation to improve the delivery of one of Merck's poorly water- soluble drugs.

"This deal represents another step in our collaboration with an outstanding pharmaceutical company," said Larry Sternson, president and CEO of King of Prussia, Pa.-based NanoSystems. He said he expects more deals with Merck "in the coming months."

Sternson would not disclose what type of drug Merck is developing, nor its indication. He did say the $30 million represents a "significant" up-front payment, along with fees based on technology and regulatory milestones. In addition, NanoSystems will receive royalties on sales of any products made using its technology.

NanoSystems' NanoCrystal system allows the conversion of a drug ingredient to a stable, small-particle crystalline form, improving the drug's delivery efficiency and performance while keeping it physically identical to classical dosage forms. NanoCrystals are stabilized by the adherence of selected polymers onto their surfaces. Each NanoCrystal is less than 400 nanometers in diameter, a nanometer being one billionth of a meter. (See BioWorld Today, May 16, 1997, p. 1.)

NanoCrystal technology formulates active pharmaceutical ingredients for use in traditional dosage formats, including oral, injectable, aerosol and topical products. Reduced to particle form, the drugs show enhanced bioavailablity, faster onset of action and elimination of food effects. The formulation also means improved safety and better patient compliance.

Process Can Rescue Struggling Drug Candidates

"Sometimes companies like Merck have promising drugs that they may not be able to develop because they can't formulate them effectively," Sternson said. "Finding a solution to this problem often requires identifying a totally new drug candidate. NanoCrystal technology provides a means by which such molecules can be rescued and their development pursued."

NanoSystems' first collaboration with Merck, of Whitehouse Station, N.J., began in late 1996 and involved a formulation of Merck's protease inhibitor, indinavir, for the treatment of HIV in pediatric patients and other special patient groups. The

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second, inked in the summer of 1997, focused on an unspecified drug.

Also last year, NanoSystems signed a deal with Wyeth-Ayerst Laboratories, a Philadelphia-based division of American Home Products Corp., to develop a more water-soluble formulation of Wyeth-Ayerst's immunosuppressant drug, Rapamune. (See BioWorld Today, May 16, 1997, p. 1.)

NanoSystems began in 1994 as a business unit of Sterling Winthrop Inc., of New York, a subsidiary of **Eastman Kodak** Co., of Rochester, N.Y. Following the divestiture of Kodak's health care businesses, NanoSystems become an independent, privately held company in 1995. *

---- INDEX REFERENCES ----

COMPANY: WYETH AYERST LABORATORIES; AMERICAN HOME PRODUCTS CORP; EASTMAN KODAK CO; WYETH; SANOFI AVENTIS; MERCK AND CO INC

NEWS SUBJECT: (Business Management (1BU42); Forecasts (1FO11); Contracts & Orders (1CO29); Sales (1SA20); Major Corporations (1MA93))

INDUSTRY: (Pharmaceuticals & Biotechnology (1PH13); Alternative Technologies (1AL61); Electronics (1EL16); Semiconductor (1SE88); Manufacturing (1MA74); Semiconductor Technology (1SE73); Science & Engineering (1SC33); Pharmaceuticals Joint Development Projects (1PH87); Trends in Technology (1TR23); Nano & Quantum Technology (1NA55))

REGION: (Pennsylvania (1PE71); Americas (1AM92); North America (1NO39); USA (1US73); New York (1NE72))

Language: EN

OTHER INDEXING: (AMERICAN HOME PRODUCTS CORP; **EASTMAN KODAK** CO; HIV; KODAK; MERCK; MERCK CO; NANOCRYSTAL; **NANOSYSTEMS**; **NANOSYSTEMS** LLC; STERLING WINTHROP INC; WYETH; WYETH AYERST LABORATORIES) (Drug Candidates; Finding; Larry Sternson; Mary Welch Staff; Rapamune; Reduced; Sternson) (Trade; LOB; COMPANY; Article) (Biotechnology (BIO); Any type of business (BUSN)) (Contracts & orders received (610); Use of services (480)) (United States (1USA))

COMPANY TERMS: **NANOSYSTEMS** LLC; MERCK AND CO INC

PRODUCT: Drug Delivery Systems; Pharmaceutical Preparations; Pharmaceutical Preparation Manufacturing2834030; 2834000

NAICS CODE: 325412

Word Count: 575
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EXHIBIT E

8/21/95 AP Online 00:00:00

AP Online
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August 21, 1995

Section: Finance

Biggest Drug Company Mergers

Some of the drug industry's biggest corporate mergers and takeovers.

February **1988** , **Eastman Kodak** Co., acquired **Sterling Drug** Inc. $5.1 billion.

July 1989, British drugmaker Beecham Group PLC, acquired competitor SmithKline Beckman, to form SmithKline Beecham, $7.82 billion.

October 1989, Bristol Myers Co., acquired Squibb Corp. to form Bristol-Myers Squibb, $11.5 billion.

December 1989, Dow Chemical Co., acquired Marion Laboratories Inc., $7.7 billion. Marion Laboratories Inc., in turn, acquired Merrell Dow Pharmaceuticals Inc., $3.2 billion. Two stage transaction by which Dow Chemical acquired a majority of Marion.

February 1990, Swiss drugmaker Roche Holding Ltd., bought 60 percent of biotech firm Genentech Inc., $2.1 billion.

March 1990, Rhone-Poulenc SA of Paris, bought Rorer Group Inc., to form Rhone-Poulenc Rorer, for $1.7 billion.

July 1993, Drugmaker Merck & Co. bought prescription drug manager Medco Containment Services Inc., $6.6 billion.

May 1994, Swiss company Roche Holding Ltd. bought U.S. firm Syntex Corp., $5.3 billion.

May 1994, SmithKline Beecham bought prescription benefits management company Diversified Pharmaceutical Services Inc., $2.3 billion.

May 1994, Swiss drug and chemical conglomerate Sandoz Ltd. bought baby food maker Gerber Products Co., $3.7 billion.

June 1994, French pharmaceutical company Elf Sanofi SA bought the prescription drug business of Sterling Winthrop Inc. from Eastman Kodak Co., $1.68 billion.

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July 1994, drugmaker Eli Lilly and Co. bought the prescription benefits management company PCS Health Systems Inc. from parent McKesson Corp., $4 billion.

August 1994, Drug and health care products maker American Home Products Corp. bought drug and chemical company American Cyanamid Co., $9.7 billion.

January 1995, British drugmaker Glaxo PLC bought competitor Wellcome PLC, $14.24 billion.

May 1995, Hoechst AG, the German chemical and health care company, bought U.S. drugmaker Marion Merrell Dow Inc., $7.1 billion.

August 1995, Upjohn Co. and Sweden's Pharmacia AB agree to a $13 billion merger.

---- INDEX REFERENCES ----

COMPANY: MARION MERRELL DOW INC; PHARMACIA AB (OLD 90); BEECHAM GROUP PLC; GERBER PRODUCTS CO; EASTMAN KODAK CO; HOECHST AKTIENGESELLSCHAFT ADR; BRISTOL MYERS SQUIBB CO; DOW CHEMICAL CO (THE); SANOFI AVENTIS; AMERICAN CYANAMID CO; MERCK AND CO INC; ANDREW WEIR AND CO LTD; MCKESSON CORP; SYNTEX CORP; SQUIBB CORP; AMERICAN HOME PRODUCTS CORP; PHARMACIA AB (OLD 95); ELI LILLY AND CO; GENENTECH INC; ROCHE HOLDING AG; STERLING DRUG INC; RORER GROUP INC

NEWS SUBJECT: (Mergers & Acquisitions (1ME39); Major Corporations (1MA93); Corporate Groups & Ownership (1XO09))

INDUSTRY: (Pharmaceuticals & Biotechnology (1PH13); Chemicals (1CH04); Specialty Chemicals (1SP72); Manufacturing (1MA74); Consumer Products & Services (1CO62); Personal Care & Beauty Aids (1PE87); Prescription Drugs (1PR52))

REGION: (Americas (1AM92); North America (1NO39); Western Europe (1WE41); Germany (1GE16); Europe (1EU83); USA (1US73); Central Europe (1CE50); Switzerland (1SW77))

Language: EN

OTHER INDEXING: (AG; AMERICAN CYANAMID CO; AMERICAN HOME PRODUCTS CORP; BEECHAM GROUP PLC; BIGGEST DRUG CO; BRISTOL MYERS CO; DIVERSIFIED PHARMACEUTICAL SERVICES INC; DOW CHEMICAL; DOW CHEMICAL CO; DRUG; DRUGMAKER; EASTMAN KODAK CO; ELI LILLY; GENENTECH INC; GERBER PRODUCTS CO; GLAXO PLC; HEALTH SYSTEMS INC; HOECHST; MARION; MARION LABORATORIES INC; MARION MERRELL DOW INC; MCKESSON CORP; MERCK CO; MERRELL DOW PHARMACEUTICALS INC; MYERS SQUIBB; PHARMACIA AB; ROCHE HOLDING LTD; RORER GROUP INC; SA; SANDOZ LTD; SERVICES INC; SQUIBB CORP; STERLING DRUG INC; STERLING WINTHROP INC; SYNTEX CORP; UPJOHN CO) (Rhone-Poulenc Rorer; SmithKline Beckman; SmithKline Beecham)

Word Count: 409
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EXHIBIT F

- History of Kodak
  - George Eastman
  - Building the Foundation
  - Broadening the Impact of Pictures
  - Transforming for the Future
  - Evolution of our brand logo
  - Imaging- the basics
  - Quality and Ethics
  - Milestones- chronology
    - 1878-1929
    - 1930-1959
    - 1960-1979
    - 1980-1989
    - **1990-1999**
    - 2000-Present
- Kodak External Alliances
- Careers at Kodak
- Science and Technology
- CEO Biography
- Kodak Racing

1990-1999

1990 - Kay Whitmore was elected Kodak Chairman and CEO.♦Kodak announced the development of its Photo CD system for playing images on television screens, and proposed a worldwide standard for defining color in the digital environment of computers and computer peripherals. ♦ The KODAK PREMIER Image Enhancement System helped commercial and industrial photography labs achieve new levels of quality and productivity by combining silver-halide and electronic technologies to scan photographs, digitize the information, and then output to photographic film or paper. ♦ The company announced its first product in a new family of document management systems, providing high-speed printing capability for centralized duplicating departments. ♦ Kodak began a recycling program for one-time use cameras and also began using recycled paperboard for film boxes.

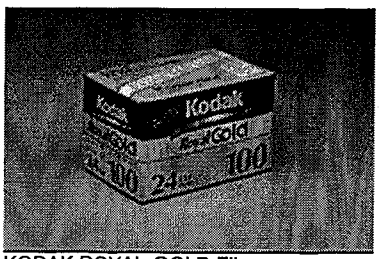
1991 - Sterling Drug Inc. announced an agreement with Sanofi, a leading French pharmaceutical company, that would result in a number of joint ventures between the companies. ♦ The KODAK Professional Digital Camera System (DCS) was introduced, enabling photojournalists to take electronic pictures with a Nikon F-3 camera equipped by Kodak with a 1.3 megapixel sensor. ♦ New copiers from Kodak offered innovative digital features, such as the ability to customize copies of original documents. ♦ Construction of a new state-of-the-art sensitizing plant that began in 1986 in Rochester, N.Y. for coating color films for the professional and motion picture markets was completed.

1992 - Kodak launched a writeable CD that its first customer, MCI, used for producing telephone bills for corporate accounts. ♦ The KODAK FUN SAVER Telephoto 35 camera was added to the popular line of one-time use cameras. ♦ Kodak sold its 100,000th X-OMAT X-ray film processor, first introduced in 1956. ♦ The company announced a joint R&D project with Canon, Fuji, Minolta and Nikon to develop an Advanced Photographic System. ♦ New digital products included the KODAK Professional DCS 200 Digital Camera and the KODAK XLT 7720 Digital Continuous Tone Printer. ♦ KODAK EKTAPRO Projectors became the first Kodak slide projectors to connect to a computer. ♦ Kodak received an R&D 100 Award for its INSIGHT Thoracic Imaging System, which produced significantly improved X-ray images of soft tissues. ♦ KODACOLOR film celebrated its 50th anniversary.


KODAK Photo CD Player.

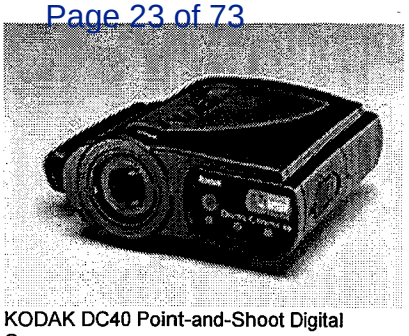
1993 - Kodak introduced 20 new photographic products, including the sleek, compact CAMEO 35 mm Camera Line; new EKTACHROME LUMIERE Films; an underwater version of EKTACHROME Film; and the KODAK FUN SAVER Portrait 35 One-Time Use Camera. ♦ The company launched a stream of new software products and Photo CD formats for commercial use, in addition to a portable Photo CD player. ♦ Using Kodak's new CINEON Technology, Kodak technicians digitally restored Walt Disney's 1937 classic "Snow White and the Seven Dwarfs." ♦ George M.C. Fisher, previously CEO of Motorola, became Kodak's Chairman and CEO. ♦ At year-end, Eastman Chemical Company (including Distillation Products business), founded in 1920, was spun off to shareholders and became an independent company with its own board of directors and New York Stock Exchange listing.

1994 - Kodak announced 30 new products, including KODAK ROYAL GOLD Film and new digital imaging products and services. Digital products included the KODAK Copyprint Station, for making new prints from old prints; the KODAK Digital Enhancement Station 100, enabling retailers to help consumers eliminate defects such as "red-eye;" and the KODAK Creation Station, an easy-to-use walk-up center for making digital prints from negatives, slides, prints and Photo CD images. ♦ Kodak divested its non-imaging health-related businesses - Sterling Winthrop, L&F Products and Clinical Diagnostics - enabling the company to focus all of its resources on its core imaging business. Proceeds from the sale of these businesses was used to substantially reduce debt.



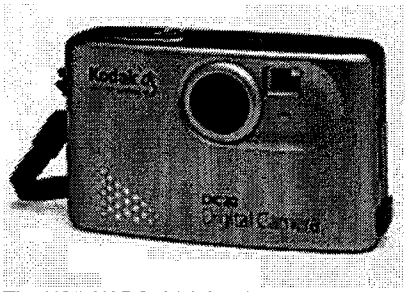
KODAK ROYAL GOLD Film

1995 - Kodak introduced its Internet website, kodak.com, providing an opportunity for Internet users all over the world to learn more about Kodak's people, products, services, and history. ♦ In March, Kodak advanced its digital imaging business with the KODAK DC40 Point-and-Shoot Digital Camera, and new premium-grade paper and transparency film formulated to provide high-quality color images from ink-jet printers. ♦ In September, Kodak announced that Danka Business Systems PLC would sell and service Kodak high-volume copiers throughout the U.S. and Canada.



KODAK DC40 Point-and-Shoot Digital Camera

1996 - The Advanced Photo System format was introduced. Features included drop-in film cartridge loading, mid-roll change enabling the film to be removed before being completely exposed, and three different picture formats (Classic, Group, and Panoramic). Kodak unveiled the ADVANTIX brand, for its related products. ♦ In June, the company unveiled the first in a series of pocket-sized digital cameras for the rapidly growing consumer digital market. ♦ Kodak television commercials featured the theme, "Take Pictures. Further.," a campaign designed to broaden the appeal of the Kodak brand. ♦ The company shipped its 10,000th medical laser printer, the KODAK EKTASCAN 2180 Laser Printer, to Duke University Medical Center in Durham, N.C. ♦ Daniel A. Carp was appointed Kodak's President and Chief Operating Officer.

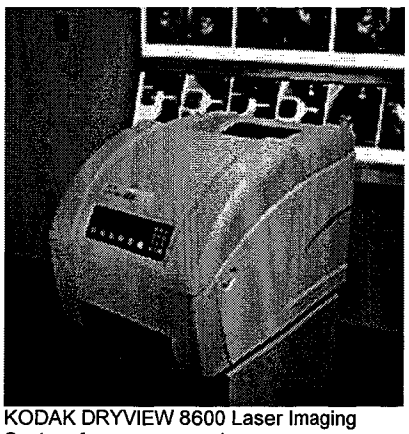


The KODAK DC20 Digital Camera, the first in a series of pocket-sized digital cameras, was introduced in 1996.

1997 - Kodak sold the sales, marketing, and equipment service operations of its Office Imaging business and its facilities management business (formerly known as Kodak Imaging Services) to Danka Business Systems PLC. ♦ The company introduced four new GOLD Films (400, 200, and 100 speeds and Max 800 speed) that employed COLORSHARP Technology. ♦ By February, the company had recycled more than 100 million one-time-use cameras since the program began in 1990. ♦ The KODAK Picture Network was announced, enabling people to view their photos, order reprints, and share their pictures with friends and family around the world via the Internet. ♦ In April, the company unveiled the KODAK DIGITAL SCIENCE DC120 Zoom Digital Camera, the first point-and-shoot megapixel quality digital camera under $1,000. ♦ Kodak and Sun Chemical Corporation agreed to form a joint venture, Kodak Polychrome Graphics, to supply the graphic arts market with sensitized products as well as computer-to-plate and other digital solutions. ♦ An advanced Kodak image sensor allowed NASA's Mars Rover to "see" as it moved about to explore that planet's surface.

1998 - KODAK PROFESSIONAL PORTRA Color Negative Films, and KODAK PROFESSIONAL SUPRA III Color Paper were introduced. ♦ America Online and Kodak announced "You've Got Pictures!" a service where AOL members could have their processed pictures delivered online. ♦ Kodak acquired most of Imation Corporation's worldwide medical imaging business, including the DRYVIEW Laser Imaging business. ♦ Astronaut John Glenn and the other members of the STS-95 crew used a KODAK PROFESSIONAL DCS 460 Digital Camera to capture high-resolution images for real-time transmission back to Earth during their space flight.

1999 - Kodak sold its digital printer, copier/duplicator, and roller assembly operations to Heidelberger Druckmaschinen AG. The two companies also expanded their joint venture, NexPress, which was created in 1998. ♦ The company announced DURALIFE Paper, a revolutionary new photographic paper for snapshots. It set benchmarks in virtually every performance category, including tear-resistance, durability, brightness and whiteness, image sharpness, and resistance to curling. ♦ Kodak's Commercial & Government Systems business introduced an Earth-imaging digital camera capable of showing surface objects as small as one meter in length. ♦ Kodak and Lexmark International, Inc. teamed up to introduce the KODAK Personal Picture Maker for home printing of digital images. ♦ The Health Imaging business announced the KODAK DRYVIEW 8600 Laser Imaging System for mammography and three state-of-the-art digital radiography systems for capturing x-ray images. ♦ Kodak and Sanyo Electric Co. unveiled the world's first commercial model of a full-color, active matrix organic electroluminescent (OLED) display.



KODAK DRYVIEW 8600 Laser Imaging System for mammography

EXHIBIT G

1/10/91 N.Y. Times D4
1991 WLNR 3032501

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January 10, 1991

Section: D

New Venture May Resolve Kodak Issue

MILT FREUDENHEIM

The **Eastman Kodak** Company announced a joint venture with a large French drug maker yesterday, as expected, and in so doing may have found a virtually cost-free solution to a nagging problem. Ever since buying **Sterling Drug** in **1988** for $5.1 billion, Kodak has had difficulty convincing investors that the money was well spent.

Kodak and its new ally, Sanofi S.A., also announced details of the venture yesterday.

Kay R. Whitmore, Kodak's chairman, said in an interview that Kodak was pleased with Sterling's performance. "What we hoped would happen has happened," he said. "Cash flow was slightly positive in 1990," he said, from Sterling and Lehn & Fink, a unit that makes Lysol, after payments on debt that Kodak assumed in acquiring Sterling.

However content it may have been with Sterling, Kodak still discussed the drug company's future with at least six foreign concerns before striking the deal with Sanofi. The two companies said yesterday that they had signed letters of intent to share research results and establish joint marketing ventures everywhere except Japan.

'A Creative Way' to Grow

"We considered all the options, including a sale, an acquisition, and continuing to go it alone," said Louis P. Mattis, Sterling's chairman. He said the joint venture with Sanofi was a "creative way that enables us to preserve both energy and cash to build the business."

Sterling said its sales had increased by 7 percent annually, compounded, since 1987. Hemant K. Shah, an independent securities analyst in Warren, N.J., said Sterling's sales gains had been well below the pharmaceutical industry average of 15 percent annually.

Sterling said earnings from operations were up by 40 percent, or 70 percent per employee, before spending on research and development. The company said it had reduced its work force by 20 percent, through attrition and divesting itself of some units. Research and development spending increased from $85 million in 1987 to

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about $240 million now, still low for the pharmaceutical big leagues, where Merck & Company, for example, spends $855 million.

Neither Kodak nor Sanofi is contributing cash. And the arrangement does not have the usual costs involved in a purchase, like added debt and "good will" to amortize, or taxes on any profits in a sale, said Michael Hoffman, a general partner with the Blackstone Group. Blackstone, an investment banking firm, joined with Banque Indosuez of Paris in advising Sanofi.

Sanofi, which is controlled by Societe Nationale Elf Aquitaine, a French Government-controlled international oil company, has been shopping for an American partner since it dropped out of the bidding to acquire A.H. Robins in January 1988.

Three New Companies

Sterling and Sanofi are creating three new companies. The venture will have $2.2 billion to $2.4 billion in combined annual sales and will share results of $500 million in research and development spending.

The two companies plan to share marketing and drug development costs, but each will keep the profits of existing products. Earnings from new drugs will be split 51 percent-49 percent. Sterling will be in charge and get the larger share in the Western Hemisphere, the Caribbean, Australia and several Asian countries, while Sanofi will have operating control and 51 percent in Europe, Africa, the Middle East, and other parts of Asia.

Sterling Health, a third jointly owned company, also managed by Sterling, will be the largest over-the-counter drug concern in Europe, Kodak said.

Mr. Mattis said Sterling and Sanofi would "share the strategic management," including decisions on starting the expensive process of testing new drugs in humans.

The companies expect to complete the deal in four to six months. Meanwhile, several Sterling executives are hard at work studying French.

---- INDEX REFERENCES ----

COMPANY: BLACKSTONE GROUP; EASTMAN KODAK CO; SANOFI SA; STERLING DRUG INC; SANOFI AVENTIS; MERCK AND CO INC

NEWS SUBJECT: (Joint Ventures (1JO05); Corporate Groups & Ownership (1XO09))

INDUSTRY: (Photography, Imaging & Graphic Arts (1PH26))

REGION: (Europe (1EU83))

Language: EN

OTHER INDEXING: (FREUDENHEIM, MILT) (BLACKSTONE; BLACKSTONE GROUP; CARIBBEAN; EASTMAN KODAK CO; KODAK; LYSOL; MERCK CO; RESOLVE; SANOFI; NATIONALE ELF AQUITAINE) (Banque Indosuez; Hemant K. Shah; Kay R. Whitmore; Lehn Fink; Louis P. Mattis; Mattis; Michael Hoffman; Sterling; Sterling Drug; Sterling Health) (DRUGS (PHARMACEUTICALS); JOINT VENTURES AND CONSORTIUMS)

COMPANY TERMS: SANOFI SA; EASTMAN KODAK CO; STERLING DRUG INC

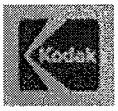
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EXHIBIT H



EASTMAN KODAK CO (EK)

343 STATE ST
ROCHESTER, NY 14650
716. 724.4000
http://www.kodak.com

10-Q

EASTMAN KODAK 3Q94 10-Q
Filed on 11/14/1994 - Period: 09/30/1994
File Number 001-00087

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1994

or

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

For the transition period from to

Commission File Number 1-87

EASTMAN KODAK COMPANY
(Exact name of registrant as specified in its charter)

NEW JERSEY (State of incorporation)	16-0417150 (IRS Employer Identification No.)
343 STATE STREET, ROCHESTER, NEW YORK (Address of principal executive offices)	14650 (Zip Code)
Registrant's telephone number, including area code:	716-724-4000

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

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

Class	Number of Shares Outstanding at September 30, 1994
Common Stock, $2.50 par value	339,685,483

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF EARNINGS

(in millions)	Third Quarter 1994	Third Quarter 1993	Three Quarters 1994	Three Quarters 1993
REVENUES				
Sales	$3,529	$3,160	$9,709	$ 9,181
Earnings from equity interests and other revenues	2	27	70	156
TOTAL REVENUES	3,531	3,187	9,779	9,337
COSTS				
Cost of goods sold	1,967	1,625	5,219	4,688
Marketing and administrative expenses	972	829	2,644	2,499
Research and development costs	221	231	655	648
Interest expense	28	41	113	145
Restructuring costs	-	495	-	495
Other charges	25	41	133	122
TOTAL COSTS	3,213	3,262	8,764	8,597
Earnings (loss) from continuing operations before income taxes	318	(75)	1,015	740
Provision (benefit) for income taxes from continuing operations	125	(1)	382	316
Earnings (loss) from continuing operations before extraordinary item and cumulative effect of changes in accounting principle	193	(74)	633	424
Earnings (loss) from discontinued operations before cumulative effect of changes in accounting principle	-	7	(81)	41
Earnings (loss) before extraordinary item and cumulative effect of changes in accounting principle	193	(67)	552	465
Extraordinary item	-	(1)	(13)	(13)
Earnings (loss) before cumulative effect of changes in accounting principle	193	(68)	539	452
Cumulative effect of changes in accounting principle from continuing operations	-	-	-	(1,649)
Cumulative effect of changes in accounting principle from discontinued operations	-	-	-	(519)
Total cumulative effect of changes in accounting principle	-	-	-	(2,168)
NET EARNINGS (LOSS)	$ 193	$ (68)	$ 539	$(1,716)

See Notes to Financial Statements

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF EARNINGS (Continued)

	Third Quarter 1994	Third Quarter 1993	Three Quarters 1994	Three Quarters 1993
Primary earnings (loss) per share from continuing operations before extraordinary item and cumulative effect of changes in accounting principle	$ .57	$ (.23)	$ 1.89	$ 1.29
Primary earnings (loss) per share from discontinued operations before cumulative effect of changes in accounting principle	-	.02	(.24)	.13
Primary earnings (loss) per share before extraordinary item and cumulative effect of changes in accounting principle	.57	(.21)	1.65	1.42
Extraordinary item	-	-	(.04)	(.04)
Primary earnings (loss) per share before cumulative effect of changes in accounting principle	.57	(.21)	1.61	1.38
Cumulative effect of changes in accounting principle from continuing operations	-	-	-	(5.04)
Cumulative effect of changes in accounting principle from discontinued operations	-	-	-	(1.58)
Total cumulative effect of changes in accounting principle	-	-	-	(6.62)
Primary earnings (loss) per share	$ .57	$ (.21)	$ 1.61	$(5.24)
Fully diluted earnings (loss) per share from continuing operations before extraordinary item and cumulative effect of changes in accounting principle	$ .56	$ (.17)	$ 1.86	$ 1.29
Fully diluted earnings (loss) per share from discontinued operations before cumulative effect of changes in accounting principle	-	.02	(.24)	.12
Fully diluted earnings (loss) per share before extraordinary item and cumulative effect of changes in accounting principle	.56	(.15)	1.62	1.41
Extraordinary item	-	-	(.04)	(.03)
Fully diluted earnings (loss) per share before cumulative effect of changes in accounting principle	.56	(.15)	1.58	1.38
Cumulative effect of changes in accounting principle from continuing operations	-	-	-	(5.04)
Cumulative effect of changes in accounting principle from discontinued operations	-	-	-	(1.58)
Total cumulative effect of changes in accounting principle	-	-	-	(6.62)
Fully diluted earnings (loss) per share	$ .56	$ (.15)	$ 1.58	$(5.24)

See Notes to Financial Statements

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(in millions)	Third Quarter 1994	Third Quarter 1993	Three Quarters 1994	Three Quarters 1993
RETAINED EARNINGS				
Retained earnings at beginning of period	$4,552	$5,746	$4,469	$7,721
Net earnings (loss)	193	(68)	539	(1,716)
Cash dividends declared	(136)	(165)	(401)	(492)
Other changes	(3)	-	(1)	-
RETAINED EARNINGS at end of period	$4,606	$5,513	$4,606	$5,513
SUPPLEMENTAL INFORMATION:				
Operations of subsidiary companies outside the U.S. included in Consolidated Statement of Earnings:				
Sales	$2,070	$1,869	$5,741	$5,434
Earnings from operations	143	57	436	295

See Notes to Financial Statements

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions)	Sept. 30, 1994	Dec. 31, 1993
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 585	$ 1,635
Marketable securities	142	331
Receivables (net of allowances of $108 and $92)	3,148	2,817
Inventories	1,765	1,532
Deferred income tax charges	457	339
Other	392	203
Total current assets	6,489	6,857
PROPERTIES		
Land, buildings and equipment at cost	12,429	11,601
Less: Accumulated depreciation	7,003	6,574
Net properties	5,426	5,027
OTHER ASSETS		
Unamortized goodwill (net of accumulated amortization of $210 and $179)	673	272
Long-term receivables and other noncurrent assets	782	912
Deferred income tax charges	352	393
Net assets of discontinued operations	5,361	5,349
TOTAL ASSETS	$19,083	$18,810
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Payables	$ 3,025	$ 2,877
Short-term borrowings	2,460	611
Taxes-income and other	415	384
Dividends payable	136	165
Deferred income tax credits	46	16
Total current liabilities	6,082	4,053
OTHER LIABILITIES AND DEFERRED CREDITS		
Long-term borrowings	4,667	6,727
Postemployment liabilities	3,603	3,491
Other long-term liabilities	621	1,183
Deferred income tax credits	50	-
Total liabilities	15,023	15,454
SHAREOWNERS' EQUITY		
Common stock at par*	966	948
Additional capital paid in or transferred from retained earnings	510	213
Retained earnings	4,606	4,469
Accumulated translation adjustment	(66)	(235)
	6,016	5,395
Less: Treasury stock shares at cost*	1,956	2,039
Total shareowners' equity	4,060	3,356
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$19,083	$18,810

* Common stock: $2.50 par value, 950 million shares authorized, 386 million shares issued as of September 30, 1994. Treasury stock at cost consists of approximately 49 million shares on December 31, 1993 and approximately 47 million shares on September 30, 1994.

See Notes to Financial Statements

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions)	Three Quarters 1994	1993
Cash flows from operating activities:		
Earnings from continuing operations before extraordinary item and cumulative effect of changes in accounting principle	$ 633	$ 424
Adjustments to reconcile above earnings to net cash provided by operating activities:		
Depreciation and amortization	613	639
Benefit for deferred taxes	(8)	(38)
Loss on sale and retirement of properties	38	102
Increase in receivables	(128)	(57)
Increase in inventories	(131)	(115)
Increase in liabilities excluding borrowings	77	322
Other items, net	(244)	(53)
Total adjustments	217	800
Net cash provided by operating activities	850	1,224
Cash flows from investing activities:		
Additions to properties	(814)	(612)
Proceeds from sale of investments	-	43
Proceeds from sale of properties	41	5
Marketable securities - sales	242	1
Marketable securities - purchases	(27)	-
Payment for purchase of Qualex, net of cash acquired	(48)	-
Net cash used in investing activities	(606)	(563)
Cash flows from financing activities:		
Net increase in commercial paper borrowings of 90 days or less	1,385	(255)
Proceeds from other borrowings	2	544
Repayment of other borrowings	(1,483)	(536)
Unwinding of derivatives	(814)	-
Dividends to shareowners	(429)	(492)
Exercise of employee stock options	29	166
Net cash used in financing activities	(1,310)	(573)
Effect of exchange rate changes on cash	16	(2)
Net increase (decrease) in cash and cash equivalents	(1,050)	86
Cash and cash equivalents, beginning of year	1,635	361
Cash and cash equivalents, end of period	$ 585	$ 447

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The financial statements have been prepared by the Company in accordance with the accounting policies stated in the 1993 Annual Report, except as noted below, and should be read in conjunction with the Notes to Financial Statements appearing therein. In the opinion of the Company, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation have been included in the financial statements. The statements are based in part on approximations and have not been audited by independent accountants. The annual statements will be audited by Price Waterhouse.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The recorded amounts of other investments as of September 30, 1994 shown in the following table include $37 million of equity investments in a number of entities for which it is not practicable to estimate fair values, since quoted market prices do not exist for any of these investments.

The fair values of long-term borrowings were estimated based on quoted market prices or by obtaining quotes from brokers.

The Company is a party to various interest rate option and swap agreements and foreign currency contracts which are included in other instruments below. The fair values of other instruments were estimated by obtaining quotes from brokers, where practicable, or by estimating the amounts the Company would receive or pay to terminate the instruments at the reporting date.

The recorded amounts of certain financial instruments, such as cash and marketable securities and short-term borrowings, approximate their fair values and are excluded from the amounts below. The recorded amounts and estimated fair values of the Company's long-term borrowings and other financial instruments as of September 30, 1994 were as follows:

(in millions)	Recorded Amount	Fair Value
Other investments	$ 43	$ 45
Long-term borrowings	(4,667)	(4,842)
Other instruments	(63)	(206)

EARNINGS PER COMMON SHARE

Fully diluted earnings per share is computed by dividing net earnings adjusted for after-tax interest expense associated with convertible securities by the average number of common shares outstanding, common stock equivalents related to dilutive stock options, and common shares issuable upon conversion of such convertible securities. Fully diluted earnings per share relating to the cumulative effect of changes in accounting principle were anti-dilutive. The number of common shares used to compute earnings per share amounts was as follows:

(in millions)	Third Quarter 1994	Third Quarter 1993	Three Quarters 1994	Three Quarters 1993
Primary	339.4	328.7	334.3	327.7
Fully Diluted	345.2	359.2	340.2	358.2

CASH FLOW INFORMATION

Certain debt issues have been converted to equity in non-cash transactions which are not reflected in the Consolidated Statement of Cash Flows.

DISCONTINUED OPERATIONS

On May 3, 1994, the Company announced its intent to divest the following non-imaging health businesses: the pharmaceutical and consumer health businesses of Sterling Winthrop Inc., the household products and do-it-yourself products businesses of L&F Products and the Clinical Diagnostics Division. These businesses comprise the Health segment, which is reported as a discontinued operation with results for prior periods restated. On June 23, 1994, the Company announced Sanofi agreed to acquire the pharmaceutical business of Sterling Winthrop Inc. for $1.675 billion in cash and its interest in the "Over the Counter" alliance with Sterling Winthrop Inc. Sanofi's interest in the "Over the Counter" alliance will be transferred to Sterling Winthrop Inc. On October 1, 1994, the Company completed this sale. On August 29, 1994, the Company announced SmithKline Beecham plc agreed to acquire the consumer health business of Sterling Winthrop Inc. for $2.925 billion in cash. On November 2, 1994, the Company completed this sale. On September 6, 1994, the Company announced Johnson & Johnson agreed to acquire the Clinical Diagnostics Division for $1.008 billion in cash. On September 26, 1994, the Company announced Reckitt & Coleman plc agreed to acquire the worldwide household products business of L&F Products for $1.55 billion in cash. On October 14, 1994, the Company announced Forstmann Little & Co. agreed to acquire the do-it-yourself products business of L&F Products for $700 million in cash. In addition, as part of the divestiture, the Company is actively negotiating with potential buyers for its pharmaceutical research and development facility and its NanoSystems unit, and anticipates closing dates for these transactions in 1995.

As of June 30, 1994, the Company concluded that measurement dates had occurred for the non-imaging health businesses. Accordingly, the financial statement information related to these businesses has been presented on one line in the Consolidated Statement of Financial Position, "net assets from discontinued operations", and in the "discontinued operations" line of the Consolidated Statement of Earnings. The amounts presented for prior periods have been restated for comparability. The "net assets from discontinued operations" represents the assets intended to be sold offset by the liabilities anticipated to be assumed by the buyers of these businesses. The amounts presented in the Consolidated Statement of Earnings for prior periods have been restated to reflect the allocation of interest expense to discontinued operations. The allocation of interest expense was performed by reference to the interest expense on indebtedness that is anticipated to be repaid from the net proceeds received from the sales. The third quarter 1994 loss from the health businesses was deferred and will be recognized as a reduction of the expected gain on the sale of the health businesses.

The Company currently anticipates an overall gain on the sales of the health businesses including income from operations during the phase-out period which is estimated to end on or about December 31, 1994. Consequently, all gains estimated at this time will be recognized by the Company as such transactions close.

Summarized results of the Health businesses, including the allocation of interest expense, are as follows:

(in millions)	Third Quarter 1994	Third Quarter 1993	Three Quarters 1994	Three Quarters 1993
Sales	$982	$917	$2,782	$2,703
Earnings (loss) before income taxes	$(56)	$(64)	$ (140)	$ (203)
Provision (benefit) for income taxes	(12)	(11)	(15)	(50)
Earnings (loss) before cumulative effect of changes in accounting principle	$(44)	$(53)	$ (125)	$ (153)

Interest expense included in earnings (loss) before income taxes was $115 million for each of the three month periods ended September 30, 1994 and 1993. Interest expense included in earnings (loss) before income taxes was $344 million and $346 million for the nine month periods ended September 30, 1994 and 1993, respectively.

Net assets of the Health businesses as reported in the Consolidated Statement of Financial Position are comprised of the following:

(in millions)	Sept. 30, 1994	Dec. 31, 1993
Current assets	$1,350	$1,165
Land, buildings and equipment, net	1,337	1,339
Other assets	4,214	4,281
Total assets	6,901	6,785
Current liabilities	926	857
Long-term borrowings	134	126
Other liabilities	480	453
Total liabilities	1,540	1,436
Net assets of discontinued operations	$5,361	$5,349

On June 15, 1993, the Company announced a plan to spin-off its Eastman Chemical Company operations, which was completed on December 31, 1993.

Summarized results of the Chemicals segment, including the allocation of interest expense, are as follows:

(in millions)	Third Quarter 1993	Three Quarters 1993
Earnings before cumulative effect of changes in accounting principle	$60	$194

LONG-TERM BORROWINGS

On October 3, 1994, the Company announced a tender offer for up to $4.8 billion of its outstanding long-term borrowings. On October 20, 1994, the Company announced that $2.7 billion of the possible $4.8 billion was tendered during the tender offer period which ended on that date. The table below is provided to disclose the Company's long-term borrowings following the completion of the tender offer.

(in millions)	Dec. 31 1993	Sept. 30, 1994	Oct. 31, 1994
Eastman Kodak Company			
10.05% notes due 1994	$ 350	$ -	$ -
9.20% notes due 1995	750	750	502
10 3/8% Eurobonds due 1995	111	111	81
7 7/8% notes due 1997	135	135	135
8.55% notes due 1997	200	200	102
9 1/8% notes due 1998	1,100	1,100	528
7 1/4% notes due 1999	275	275	75
9 5/8% notes due 1999	275	275	275
9 1/2% notes due 2000	400	400	244
6 3/8% convertible subordinated debentures due 2001	278	-	-
10% notes due 2001	300	300	122
9 3/8% notes due 2003	400	400	145
9 7/8% notes due 2004	300	300	104
9 3/4% notes due 2004	300	300	97
9 1/2% notes due 2008	300	300	31
Zero coupon convertible subordinated debentures due 2011	1,127	-	-
9.95% debentures due 2018	125	125	3
9.20% debentures due 2021	200	200	9
Sterling Winthrop Inc.			
8 7/8% notes due 1996	100	100	100
Industria Fotografica Interamericana S.A. de C.V.			
7.36% notes due 2003	110	110	110
Qualex Inc.	-	215	68
Other	67	66	75
	7,203	5,662	2,806
Less: Current maturities	350	861	583
	6,853	4,801	2,223
Less: Amounts expected to be assumed by discontinued operations	126	134	134
Total	$6,727	$4,667	$2,089

SUBSEQUENT EVENTS

In connection with the debt paydown program, the Company incurred pre-tax losses related to the tender offer of approximately $160 million which will result in an extraordinary charge in the fourth quarter of 1994. The Company has also unwound substantially all of the interest rate derivatives associated with its debt issues. The Company incurred pre-tax losses related to the unwind of the derivatives of approximately $160 million in September, which has been deferred, and approximately $60 million in October. These losses will be charged to extraordinary and other charges in the fourth quarter of 1994 along with the losses on the debt.

Harry L. Kavetas, Executive Vice President
and Chief Financial Officer
November 14, 1994

Management's Discussion and Analysis of Financial Condition and Results of Operations

SUMMARY

(in millions, except earnings per share)	Third Quarter 1994	1993	Change	Three Quarters 1994	1993	Change
Sales from continuing operations	$3,529	$3,160	+12%	$9,709	$ 9,181	+6%
Earnings (loss) from operations before extraordinary item and cumulative effect of changes in accounting principle:						
Continuing	193	(74)		633	424	
Discontinued-Health	-	(53)		(81)	(153)	
Discontinued-Chemicals	-	60		-	194	
Net earnings (loss)	193	(68)		539	(1,716)	
Primary earnings (loss) per share	.57	(.21)		1.61	(5.24)	
Fully diluted earnings (loss) per share	.56	(.15)		1.58	(5.24)	

Sales from continuing operations of $3,529 million for the third quarter of 1994 were up significantly when compared with the third quarter of 1993. Excluding the sales of Qualex, which was acquired on August 12, 1994, the Company recorded good sales increases for the quarter. Year-to-date sales from continuing operations of $9,709 million were moderately higher than sales for the comparable period of last year. Earnings from continuing operations were adversely affected by restructuring costs in 1993 of $495 million ($353 million or $1.08 per share after-tax). Third quarter earnings from continuing operations decreased substantially from the third quarter of 1993, before deducting the effects of restructuring costs, as the benefits of increased unit volumes and manufacturing productivity were more than offset by cost escalation, higher marketing and administrative expenses, lower effective selling prices and incremental charges associated with our continuing review of the carrying value of all assets. Year-to-date earnings from continuing operations decreased significantly from the comparable period a year ago, before deducting the effects of restructuring costs, as the benefits of increased unit volumes and manufacturing productivity were more than offset by cost escalation, lower effective selling prices, and incremental charges associated with our continuing review of the carrying value of all assets. In addition, the 1993 third quarter and year-to-date net earnings benefited from net gains on strategic currency hedges of approximately $17 million and $38 million, respectively, and from the sales of assets. The 1994 third quarter and year-to-date net earnings were adversely impacted by premium costs for strategic currency hedges of approximately $15 million and $38 million, respectively, and by the initial consolidation of Qualex. Net earnings for the year-to-date periods of both years included an extraordinary charge of $.04 per share related to the early extinguishment of debt.

The 1993 year-to-date net loss was due to an after-tax charge of $2.17 billion ($6.62 per share) associated with the adoption of Statement of Financial Accounting Standards (SFAS) No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and SFAS No. 112, Employers' Accounting for Postemployment Benefits effective as of January 1, 1993.

On May 3, 1994, the Company announced its intent to divest the following non-imaging health businesses: the pharmaceutical and consumer health businesses of Sterling Winthrop Inc., the household products and do-it-yourself products businesses of L&F Products and the Clinical Diagnostics Division. These businesses are reported as discontinued operations with results for prior periods restated. On June 23, 1994, the Company announced Sanofi agreed to acquire the pharmaceutical business of Sterling Winthrop Inc. for $1.675 billion in cash and its interest in the "Over the Counter" alliance with Sterling Winthrop Inc. On October 1, 1994, the Company completed this sale. On August 29, 1994, the Company announced SmithKline Beecham plc agreed to acquire the consumer health business of Sterling Winthrop Inc. for $2.925 billion in cash. On November 2, 1994, the Company completed this sale. On September 6, 1994, the Company announced Johnson & Johnson agreed to acquire the Clinical Diagnostics Division for $1.008 billion in cash. On September 26, 1994, the Company announced Reckitt & Colman plc agreed to acquire the worldwide household products business of L&F Products for $1.55 billion in cash. On October 14, 1994, the Company announced Forstmann Little & Co. agreed to acquire the do-it-yourself products business of L&F Products for $700 million in cash. In addition, as part of the divestiture, the Company is actively negotiating with potential buyers for its pharmaceutical research and development facility and its NanoSystems unit, and anticipates closing dates for these transactions in 1995. The third quarter 1994 loss from the discontinued health operations of $44 million or $.13 per share, was deferred and will be recognized as a reduction of the expected gain on the sale of the health business, which is anticipated to be recorded in the fourth quarter.

On August 12, 1994, the company purchased from the Actava Group Inc. its 50% interest in Qualex for $150 million, $50 million to Actava at the closing and the remaining $100 million without interest in two installments over the next twelve months. As a result of this transaction, Qualex is now a wholly owned subsidiary of the Company and its financial statements are consolidated with those of the Company beginning in the third quarter.

On October 7, 1994, the Company announced settlement of a civil complaint by the Environmental Protection Agency (EPA) alleging noncompliance with federal environmental regulations at the Company's Kodak Park manufacturing site. The Company has been assessed a $5 million penalty, previously accrued, and has also agreed to conduct a number of special environmental projects over an eight-year period. The costs of these improvement projects will be expensed or capitalized as incurred in accordance with the Company's accounting policy for environmental costs.

On October 25, 1994, the Company announced in its third quarter earnings release that its focus on cost management would continue and could possibly include a restructuring program in the fourth quarter of 1994, which could have a material impact on the results of operations.

On June 15, 1993, the Company announced a plan to spin-off its Eastman Chemical Company operations, which was completed on December 31, 1993.

SEGMENT SALES

In the Consumer Imaging segment, sales to customers inside the U.S. showed an excellent increase for the quarter and were up significantly year to date, when compared with sales for the same periods of 1993, due primarily to the initial consolidation of Qualex. Excluding the sales of Qualex, sales for the quarter and year to date increased moderately over the comparable periods of 1993 as higher volumes were partially offset by lower effective selling prices. Outside the U.S., sales recorded a strong increase in the quarter as solid volume increases and the favorable effects of foreign currency rate changes were only partially offset by the unfavorable effects of lower effective selling prices. Year to date, sales to customers outside the U.S. showed a good increase, as solid increases in unit volumes were only partially offset by the unfavorable effects of lower effective selling prices. Worldwide volume gains in the 1994 third quarter and year to date were led by single-use cameras, Ektacolor papers and Kodacolor 35mm films.

In the Commercial Imaging segment, the slight increases in sales to customers inside the U.S. for the quarter and year to date were due to volume increases. Good increases in sales to customers outside the U.S. in the third quarter of 1994 were due to good volume gains and the favorable effects of foreign currency rate changes, partially offset by lower effective selling prices. For the first three quarters of 1994, sales to customers outside the U.S. increased slightly as higher volumes were partially offset by lower effective selling prices. Worldwide sales increases in the quarter and year to date were led by health sciences, printing and publishing imaging, and motion picture and television products.

Sales by Segment

(in millions)	Third Quarter 1994	1993	Change	Three Quarters 1994	1993	Change
Sales from Continuing Operations						
Consumer Imaging						
Inside the U.S.	$ 645	$ 516	25%	$1,646	$1,475	12%
Outside the U.S.	968	836	16	2,532	2,346	8
Total Consumer Imaging	1,613	1,352	19	4,178	3,821	9
Commercial Imaging						
Inside the U.S.	996	964	3	2,861	2,803	2
Outside the U.S.	920	844	9	2,670	2,559	4
Total Commercial Imaging	1,916	1,808	6	5,531	5,362	3
Deduct Intersegment Sales	-	-		-	(2)	
Total Sales from Continuing Operations	$3,529	$3,160	12%	$9,709	$9,181	6%

COSTS AND EXPENSES

(in millions)	Third Quarter 1994	1993	Change	Three Quarters 1994	1993	Change
Cost of goods sold	$1,967	$1,625	21%	$5,219	$4,688	11%
Percent of Sales	55.7%	51.4%		53.8%	51.1%	
Marketing and administrative expenses	$ 972	$ 829	17%	$2,644	$2,499	6%
Percent of Sales	27.5%	26.2%		27.2%	27.2%	
Research and development costs	$ 221	$ 231	-4%	$ 655	$ 648	1%
Percent of Sales	6.3%	7.3%		6.7%	7.1%	

Cost of goods sold for the third quarter of 1994 included goodwill amortization of $14 million compared with $10 million in the third quarter of 1993. For the 1994 year to date, goodwill amortization was $31 million compared with $23 million for the 1993 year to date. The increases in the cost of goods sold percentages for the quarter and year to date were primarily due to the adverse impacts of cost escalation, lower effective selling prices, the initial consolidation of Qualex and incremental charges associated with our continuing review of the carrying value of all assets. The increases in marketing and administrative expenses in the quarter and year to date when compared with 1993 were primarily due to the initial consolidation of Qualex, cost escalation and incremental charges associated with our continuing review of the carrying value of all assets. Research and development costs recorded a decrease in the quarter and were essentially level year to date compared with last year as lower activity levels offset cost escalation.

SEGMENT EARNINGS

Consumer Imaging operating earnings were adversely affected by restructuring costs in 1993 of $141 million. Consumer Imaging operating earnings for the 1994 third quarter decreased substantially when compared with the 1993 third quarter, before deducting restructuring costs, as the benefits of increased unit volumes and manufacturing productivity were more than offset by lower effective selling prices, cost escalation, incremental charges associated with our continuing review of the carrying value of all assets, and higher research and development activity. Year-to-date Consumer Imaging operating earnings, before deducting restructuring costs in 1993, decreased as the benefits of increased unit volumes and manufacturing productivity were more than offset by lower effective selling prices, cost escalation and incremental charges associated with our continuing review of the carrying value of all assets. In addition, the 1993 third quarter and year to date benefited from the positive effect of strategic currency hedges, while the 1994 third quarter and year to date were adversely impacted by the premium costs for strategic currency hedges.

Commercial Imaging operating earnings were adversely affected by restructuring costs in 1993 of $354 million. Commercial Imaging segment operating earnings for the 1994 third quarter and year to date were substantially lower than earnings for the comparable periods a year ago, before deducting restructuring costs. In the quarter, the benefits of increased unit volumes and lower research and development activity were more than offset by cost escalation, lower effective selling prices and incremental charges associated with our continuing review of the carrying value of all assets. For the year to date, the benefits of increased unit volumes, lower marketing and administrative activity and lower research and development activity were more than offset by cost escalation, lower effective selling prices and incremental charges associated with our continuing review of the carrying value of all assets. In addition, the 1993 third quarter and year to date benefited from the positive effect of strategic currency hedges, while the 1994 third quarter and year to date were adversely impacted by the premium costs for strategic currency hedges.

Earnings (loss) from Operations by Segment

(in millions)	Third Quarter Excluding Restructuring Costs 1994	1993	Change	Three Quarters Excluding Restructuring Costs 1994	1993	Change
Earnings from Operations from Continuing Operations						
Consumer Imaging	$ 269	$ 333	-19%	$ 756	$ 799	-5%
Percent of Sales	16.7%	24.6%		18.1%	20.9%	
Commercial Imaging	$ 94	$ 153	-39%	$ 423	$ 554	-24%
Percent of Sales	4.9%	8.5%		7.6%	10.3%	
Total Earnings from Operations from Continuing Operations	$ 363	$ 486	-25%	$1,179	$1,353	-13%

Earnings (loss) from Operations by Segment

	Third Quarter Including Restructuring Costs 1994	1993	Change	Three Quarters Including Restructuring Costs 1994	1993	Change
Earnings (loss) from Operations from Continuing Operations						
Consumer Imaging	$ 269	$ 192	40%	$ 756	$ 658	15%
Percent of Sales	16.7%	14.2%		18.1%	17.2%	
Commercial Imaging	$ 94	$ (201)		$ 423	$ 200	112%
Percent of Sales	4.9%	(11.1%)		7.6%	3.7%	
Total Earnings (loss) from Operations from Continuing Operations	$ 363	$ (9)		$1,179	$ 858	37%

EXHIBIT I



EASTMAN KODAK CO (EK)

343 STATE ST
ROCHESTER, NY 14650
716. 724.4000
http://www.kodak.com

10-Q

EASTMAN KODAK 3Q98 10-Q
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 1998

or

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

For the transition period from to

Commission File Number 1-87

EASTMAN KODAK COMPANY
(Exact name of registrant as specified in its charter)

NEW JERSEY (State of incorporation)	16-0417150 (IRS Employer Identification No.)
343 STATE STREET, ROCHESTER, NEW YORK (Address of principal executive offices)	14650 (Zip Code)

Registrant's telephone number, including area code: 716-724-4000

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

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

Class	Number of Shares Outstanding at September 30, 1998
Common Stock, $2.50 par value	323,949,681

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

(in millions, except per share data)

	Third Quarter		Three Quarters	
	1998	1997	1998	1997
REVENUES				
Sales	$3,391	$3,773	$ 9,843	$10,759
Earnings from equity interests and other revenues	28	14	241	120
TOTAL REVENUES	3,419	3,787	10,084	10,879
COSTS				
Cost of goods sold	1,780	2,045	5,193	5,703
Selling, general and administrative expenses	761	1,035	2,348	2,905
Research and development costs	224	259	671	782
Purchased research and development	-	-	-	186
Interest expense	32	26	96	69
Other costs	19	70	82	99
TOTAL COSTS	2,816	3,435	8,390	9,744
Earnings before income taxes	603	352	1,694	1,135
Provision for income taxes	205	120	576	386
NET EARNINGS	$ 398	$ 232	$ 1,118	$ 749
Basic earnings per share	$ 1.23	$ .71	$ 3.46	$ 2.28
Diluted earnings per share	$ 1.21	$ .71	$ 3.41	$ 2.25
Earnings used in basic and diluted earnings per share	$ 398	$ 232	$ 1,118	$ 749
Number of common shares used in basic earnings per share	323.9	325.2	323.3	328.3
Incremental shares from assumed conversion of options	6.0	3.9	4.5	5.0
Number of common shares used in diluted earnings per share	329.9	329.1	327.8	333.3
CONSOLIDATED STATEMENT OF RETAINED EARNINGS				
Retained earnings at beginning of period	$5,829	$6,153	$ 5,350	$ 5,931
Net earnings	398	232	1,118	749
Cash dividends declared	(142)	(143)	(427)	(434)
Other changes	(17)	5	27	1
RETAINED EARNINGS at end of period	$6,068	$6,247	$ 6,068	$ 6,247

See Notes to Financial Statements

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions, except number of shares and per share data)

	Sept. 30, 1998	Dec. 31, 1997
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 381	$ 728
Marketable securities	53	24
Receivables	2,519	2,271
Inventories	1,597	1,252
Deferred income tax charges	912	958
Other	294	242
Total current assets	5,756	5,475
PROPERTIES		
Land, buildings and equipment at cost	13,093	12,824
Less: Accumulated depreciation	7,582	7,315
Net properties	5,511	5,509
OTHER ASSETS		
Goodwill (net of accumulated amortization of $480 and $473)	1,014	548
Long-term receivables and other noncurrent assets	1,468	1,231
Deferred income tax charges	330	382
TOTAL ASSETS	$14,079	$13,145
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payables	$ 3,554	$ 3,832
Short-term borrowings	1,252	611
Taxes - income and other	533	567
Dividends payable	143	143
Deferred income tax credits	20	24
Total current liabilities	5,502	5,177
OTHER LIABILITIES		
Long-term borrowings	459	585
Postemployment liabilities	3,021	3,075
Other long-term liabilities	1,107	1,083
Deferred income tax credits	76	64
Total liabilities	10,165	9,984
SHAREHOLDERS' EQUITY		
Common stock at par*	978	978
Additional capital paid in or transferred from retained earnings	906	914
Retained earnings	6,068	5,350
Accumulated translation adjustment	(145)	(172)
Minimum pension liability adjustment	(37)	(37)
	7,770	7,033
Less: Treasury stock at cost*	3,856	3,872
Total shareholders' equity	3,914	3,161
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$14,079	$13,145

* Common stock: $2.50 par value, 950 million shares authorized, 391 million shares issued at September 30, 1998 and at December 31, 1997. Treasury stock at cost consists of approximately 67 million shares at September 30, 1998 and 68 million shares at December 31, 1997.

See Notes to Financial Statements

Eastman Kodak Company and Subsidiary Companies
CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions)

	Three Quarters 1998	1997
Cash flows from operating activities:		
Net earnings	$1,118	$ 749
Adjustments to reconcile above earnings to net cash provided by operating activities, excluding the effect of initial consolidation of acquired companies:		
Depreciation and amortization	619	600
Purchased research and development	-	186
Deferred taxes	(63)	(76)
(Gain) loss on sale or retirement of businesses, investments and properties	(107)	1
Increase in receivables	(216)	(57)
Increase in inventories	(334)	(156)
Decrease in liabilities excluding borrowings	(553)	(285)
Other items, net	(26)	(97)
Total adjustments	(680)	116
Net cash provided by operating activities	438	865
Cash flows from investing activities:		
Additions to properties	(619)	(1,024)
Proceeds from sale of businesses, investments and properties	181	(65)
Acquisitions, net of cash acquired	(415)	(318)
Marketable securities - sales	100	11
Marketable securities - purchases	(130)	-
Cash flows related to sales of non-imaging health businesses	-	(65)
Net cash used in investing activities	(883)	(1,461)
Cash flows from financing activities:		
Net increase in borrowings with original maturity of 90 days or less	645	384
Proceeds from other borrowings	867	1,038
Repayment of other borrowings	(996)	(1,200)
Dividends to shareholders	(427)	(424)
Exercise of employee stock options	163	89
Stock repurchases	(158)	(732)
Net cash provided by (used in) financing activities	94	(845)
Effect of exchange rate changes on cash	4	(26)
Net decrease in cash and cash equivalents	(347)	(1,467)
Cash and cash equivalents, beginning of year	728	1,777
Cash and cash equivalents, end of quarter	$ 381	$ 310

The following transactions are not reflected in the Consolidated Statement of Cash Flows:

(in millions)	Three Quarters 1998	1997
Liabilities assumed in acquisitions	$ 228	$ 105
Liabilities assumed by purchaser in sale of properties	-	31

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION

The financial statements have been prepared by the Company in accordance with the accounting policies stated in the 1997 Annual Report and should be read in conjunction with the Notes to Financial Statements appearing therein. In the opinion of the Company, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation have been included in the financial statements. The statements are based in part on estimates and have not been audited by independent accountants. The annual statements will be audited by PricewaterhouseCoopers LLP.

NOTE 2: COMMITMENTS AND CONTINGENCIES

The Company and its subsidiary companies are involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environmental, and health and safety matters, which are being handled and defended in the ordinary course of business. There are no such matters pending that the Company and its General Counsel expect to be material in relation to the Company's financial position or results of operations. Refer to Item 1, Legal Proceedings, on page 21.

NOTE 3: ACQUISITIONS

On March 12, 1998, the Company acquired 51% of PictureVision Inc.'s stock. PictureVision, the leading provider of digital imaging network services and solutions at retail, will operate as a subsidiary of the Company. Kodak will integrate the products and activities of its Picture Network, which provides consumers with an Internet-based digital imaging network service, with PictureVision's digital imaging service, PhotoNet. The acquisition has been accounted for as a purchase and, accordingly, the results of operations for the company have been included in the Consolidated Statement of Earnings from the date of acquisition. The acquisition did not have a material impact on the results of operations for the three- or nine-month periods ending September 30, 1998.

On March 24, 1998, the Company contributed $308 million to Kodak (China) Company Limited (KCCL), a newly formed company operating in China, in exchange for 80% of the outstanding shares of the company. On that date, the new company acquired the manufacturing assets of Xiamen Fuda Photographic Materials Company, Ltd., a Chinese domestic photographic enterprise. On September 1, 1998, KCCL acquired the assets of Shantou Era Photo Material Industry Corporation, another Chinese domestic photographic enterprise.

On April 2, 1998, the Company contributed $32 million to Kodak (Wuxi) Company Limited (KWCL), a newly formed company, in exchange for 70% of the outstanding shares of the business. KWCL acquired part of the manufacturing assets of Wuxi Aermei Film and Chemical Corporation, a state-owned enterprise.

The acquisitions by KCCL and KWCL have been accounted for as purchases and, accordingly, the results of operations for the acquired companies have been included in the Consolidated Statement of Earnings from the dates of acquisition. Substantial portions of the purchase prices were allocated to goodwill, which is being amortized over a ten-year period. The acquisitions did not have a material impact on the results of operations for the three- or nine-month periods ending September 30, 1998.

On August 3, 1998, Kodak and Imation Corp. announced that they have signed an agreement for Kodak to acquire most of Imation's worldwide medical imaging business. The business being acquired by Kodak generates approximately $500 million in revenues annually. The transaction is expected to close in the fourth quarter of 1998.

Under the terms of the agreement, Kodak will pay Imation approximately $520 million in cash at closing and will acquire certain assets and assume certain liabilities of Imation's medical imaging business, including Imation's manufacturing facilities in White City, Oregon and Oakdale, Minnesota, and all of the outstanding shares of Imation's Cemax-Icon(TM) subsidiary in Fremont, California. Kodak has also agreed to reimburse Imation for certain contingent amounts payable to the former shareholders of Cemax-Icon.

Imation will retain its manufacturing facility in Ferrania, Italy, where the company will manufacture x-ray and wet laser medical imaging film for Kodak under a supply agreement for a minimum of two years. As part of the cash payment, and in connection with the Ferrania supply agreement, Kodak will pay Imation $20 million at closing. The Company may also be required to make a payment of up to an additional $25 million no later than the termination of the supply agreement. Under a separate supply agreement, Kodak will supply document imaging products to Imation out of the White City, Oregon facility.

In addition, upon closing of the acquisition, the civil litigation concerning certain intellectual property disputes between the companies in the United States and Italy will be settled. At the same time, the related civil litigation between Kodak and Minnesota Mining & Manufacturing Co. will also be settled.

NOTE 4: DIVESTITURES

On September 1, 1998, the Company sold all of its shares of Fox Photo, Inc. to Wolf Camera for an amount approximating the current carrying value of Fox Photo's net assets. In June 1998, the Company sold part of its investment in Gretag Imaging Group, a Swiss manufacturer of film processing equipment. The proceeds from the sale were $72 million and resulted in a pre-tax gain of $66 million. In addition, during the second quarter, the Company sold Eastman Software's Storage Management group and the BIS Document Management System product and service business in the U.S., Canada and Latin America.

On October 1, 1998, Elan Corporation, plc, a leading specialty pharmaceutical company, purchased from Kodak all the assets and liabilities of Kodak's subsidiary NanoSystems L.L.C., a drug delivery company, for approximately $150 million in a combination of $137 million cash and warrants to purchase ordinary shares in Elan. The Company will record a gain of approximately $87 million ($54 million after-tax) on the sale in the fourth quarter of 1998.

NOTE 5: COMPREHENSIVE INCOME

The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," as of January 1, 1998. The Company has determined that at December 31, 1998 it will display comprehensive income in the Consolidated Statement of Shareholders' Equity. The components of comprehensive income were as follows:

	Third Quarter		Three Quarters	
(in millions)	1998	1997	1998	1997
Net earnings	$ 398	$ 232	$1,118	$ 749
Other comprehensive income (loss), net of tax:				
Unrealized holding (losses) gains arising during the period	(16)	29	28	25
Translation adjustments	50	(45)	27	(181)
Total other comprehensive income (loss)	$ 34	$ (16)	$ 55	$(156)
Total comprehensive income	$ 432	$ 216	$1,173	$ 593

The unrealized holding gains and losses for 1998 include an unrealized pre-tax holding loss of $16 million ($10 million after-tax) for the quarter and a gain of $52 million ($34 million after-tax) for the year to date on the Company's remaining equity investment in Gretag. The unrealized holding gains for 1997 are related primarily to the Company's equity investment in a Japanese company. Except for the gains and losses associated with Gretag, the unrealized holding gains and losses are not adjusted for income taxes because they originate in subsidiaries which have net operating loss carryforwards subject to a valuation allowance. For both the quarter and year to date, the

improvement in translation adjustments from 1997 to 1998 occurred predominantly in Europe. The translation adjustments are not currently adjusted for income taxes since they relate to investments which are permanent in nature.

NOTE 6: RECLASSIFICATIONS

Network Services business unit.

Effective January 1, 1998, the Network Services business unit, which provides services enabling storage, transfer and printing of pictures using Picture CD's and the Internet, has been transferred from the Commercial Imaging segment to the Consumer Imaging segment, and 1997 amounts have been reclassified to conform to the 1998 presentation. The sales and losses from operations for the Network Services business unit were as follows:

	Third Quarter		Three Quarters	
(in millions)	1998	1997	1998	1997
Sales	$ 1	$ -	$ 1	$ -
Loss from operations	(14)	(6)	(37)	(17)

Consumer Imaging segment promotional expenses.

In the Consumer Imaging segment, certain U.S. promotional expenses which are shown as sales price reductions in 1998 were shown as advertising and promotion expenses in 1997. The amounts of those expenses in the third quarter and year to date of 1997 were $52 and $114 million, respectively. When comparing 1998 to 1997, these amounts should be deducted from 1997 sales as well as advertising expense.

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

SUMMARY

(in millions, except earnings per share)

	Third Quarter			Three Quarters		
	1998	1997	Change	1998	1997	Change
Sales	$3,391	$3,773	-10%	$9,843	$10,759	- 9%
Net earnings	398	232	+72	1,118	749	+49
Basic earnings per share	1.23	.71	+73	3.46	2.28	+52
Diluted earnings per share	1.21	.71	+70	3.41	2.25	+52

1998

Sales for the first three quarters were reduced by the transfer of a portion of Kodak's graphics business into the Kodak Polychrome Graphics joint venture as well as the negative impact of the strong dollar. Net earnings increased, reflecting continuing progress in the Company's cost reduction program and a gain from the sale of a portion of the Company's equity interest in Gretag Imaging Group.

1997

The results for the first three quarters included a pre-tax charge of $186 million ($.37 per diluted share) for in-process research and development (R&D) associated with the acquisition of Wang Laboratories' software unit on March 17, 1997, and a pre-tax charge of $46 million ($.09 per diluted share) for payments in connection with litigation related to the sale of micrographics and copier parts. Excluding these charges, diluted earnings per share for the first three quarters would have been $2.71.

Sales by Industry Segment

(in millions)

	Third Quarter			Three Quarters		
	1998	1997*	Change	1998	1997*	Change
Consumer Imaging						
Inside the U.S.	$ 849	$ 945	-10%	$2,422	$ 2,556	- 5%
Outside the U.S.	1,024	1,130	- 9	2,867	3,142	- 9
Total Consumer Imaging	1,873	2,075	-10	5,289	5,698	- 7
Commercial Imaging						
Inside the U.S.	743	870	-15	2,194	2,462	-11
Outside the U.S.	782	837	- 7	2,382	2,622	- 9
Total Commercial Imaging	1,525	1,707	-11	4,576	5,084	-10
Deduct Intersegment Sales	(7)	(9)		(22)	(23)	
Total Sales	$3,391	$3,773	-10%	$9,843	$10,759	- 9%

* Restated to reflect the transfer of Network Services from the Commercial Imaging segment to the Consumer Imaging segment (see Note 6).

Earnings from Operations by Industry Segment

(in millions)

	Third Quarter			Three Quarters		
	1998	1997*	Change	1998	1997*	Change
Consumer Imaging	$360	$318	+ 13%	$ 858	$ 806	+ 6%
Percent of Sales	19.2%	15.3%		16.2%	14.1%	
Commercial Imaging	$269	$116	+132%	$ 776	$ 378	+105%
Percent of Sales	17.6%	6.8%		17.0%	7.4%	
Total Earnings from Operations	$629	$434	+ 45%	$1,634	$1,184	+ 38%

* Restated to reflect the transfer of Network Services from the Commercial Imaging segment to the Consumer Imaging segment (see Note 6).

COSTS AND EXPENSES

(in millions)

	Third Quarter			Three Quarters		
	1998	1997	Change	1998	1997	Change
Gross profit	$1,611	$1,728	- 7%	$4,650	$5,056	- 8%
Percent of Sales	47.5%	45.8%		47.2	47.0%	
Selling, general and administrative expenses	$ 761	$1,035	-27%	$2,348	$2,905	-19%
Percent of Sales	22.4%	27.4%		23.9%	27.0%	
Research and development costs	$ 224	$ 259	-14%	$ 671	$ 782#	-14%
Percent of Sales	6.6%	6.9%		6.8%	7.3%	

Excludes $186 million R&D charge associated with the purchase of Wang Laboratories' software unit.

1998 COMPARED WITH 1997

Third quarter

Third quarter 1998 sales decreased 10% compared with the third quarter of 1997, in part due to the transfer of a portion of the graphics business to the Kodak Polychrome Graphics joint venture. Excluding graphics sales from both years, and after removing from 1997 the reclassified promotional expenses (see Note 6), sales decreased 7%, due to lower effective selling prices, the unfavorable effects of foreign currency rate changes and lower unit volumes. Sales in emerging markets declined 17%, reflecting economic conditions, and sales of broadly defined digital products were level.

After removing from 1997 the reclassified promotional expenses (see Note 6), sales in the Consumer Imaging segment decreased 7%, due to lower effective selling prices, the unfavorable effects of foreign currency rate changes and lower unit volumes. Sales inside the U.S. decreased 5%, due to lower effective selling prices. Sales outside the U.S. decreased 9%, due primarily to the unfavorable effects of foreign currency rate changes and lower effective selling prices.

After removing from 1997 the reclassified promotional expenses (see Note 6), worldwide film sales decreased 9%, due to lower effective selling prices, the unfavorable effects of foreign currency rate changes and lower unit volumes. U.S. film sales decreased 8%, as volume gains were more than offset by lower effective selling prices. Outside the U.S., film sales decreased 9%, due to the unfavorable effects of foreign currency rate changes, lower unit volumes and lower effective unit prices.

After removing from 1997 the reclassified promotional expenses (see Note 6), worldwide color paper sales decreased 5%, as higher unit volumes were more than offset by lower effective selling prices and the unfavorable effects of foreign currency rate changes. U.S. paper sales increased 1%, as higher unit volumes were mostly offset by lower effective selling prices. Outside the U.S., paper sales decreased 7%, as higher unit volumes were more than offset by lower effective selling prices and the unfavorable effects of foreign currency rate changes.

Sales in the Commercial Imaging segment decreased 11%, in part due to the transfer of a portion of the graphics business to the Kodak Polychrome Graphics joint venture. Excluding the graphics business from both years, segment sales decreased 6%, due to the unfavorable effects of foreign currency rate changes, lower unit volumes and lower effective selling prices. In the U.S., sales decreased 10%, due to lower unit volumes and lower effective selling prices. Outside the U.S., sales decreased 3%, due primarily to the unfavorable effects of foreign currency rate changes.

Earnings from operations for the Company increased 45%, as the Company continues to realize the benefits of cost reductions and significant gains in manufacturing productivity. Earnings were adversely affected by lower effective selling prices, the unfavorable effects of foreign currency rate changes and lower unit volumes. Losses in the digital products portfolio, included in both the Commercial Imaging and Consumer Imaging segments, were $52 million for the quarter compared with $157 million a year ago.

After adjusting 1997 for the reclassified promotional expenses (see Note 6), selling, general and administrative (SG&A) expenses for the Company decreased 23% from 26.4% of sales to 22.4% of sales. Excluding advertising expenses, SG&A expenses decreased 23% from 20.0% of sales to 17.0% of sales. R&D expenses decreased 14% from 6.9% of sales to 6.6% of sales.

Earnings from operations in the Consumer Imaging segment increased 13%, driven by cost reductions in manufacturing, SG&A and R&D, but adversely affected by lower effective selling prices, the unfavorable effects of foreign currency rate changes and lower unit volumes.

In the Consumer Imaging segment, after adjusting 1997 for the reclassified promotional expenses (see Note 6), SG&A expenses decreased 18% from 28.3% of sales to 25.0% of sales. Excluding advertising expenses, SG&A expenses decreased 16% from 18.9% of sales to 17.1% of sales.

Earnings from operations in the Commercial Imaging segment increased 132%, due to cost reductions in manufacturing, SG&A and R&D, but were adversely affected by the unfavorable effects of foreign currency rate changes, lower effective selling prices and lower unit volumes. Digital & Applied Imaging, Document Imaging, Health Imaging and Entertainment Imaging reported improved earnings performance.

In the Commercial Imaging segment, SG&A expenses decreased 29% from 24.0% of sales to 19.2% of sales. Excluding advertising expenses, SG&A expenses decreased 29% from 21.3% of sales to 16.9% of sales. R&D expenses decreased 18% from 9.4% of sales to 8.6% of sales.

For the third quarter of 1998, earnings from equity interests and other revenues increased slightly due to gains on some investments. Interest expense was higher due to larger average levels of borrowings. Other costs decreased primarily because of lower foreign exchange losses, and because the 1997 third quarter reflected a $46 million pre-tax charge for payments in connection with litigation related to the sale of micrographics and copier parts. The effective tax rate was 34% in the third quarter of both 1998 and 1997.

Year to date

For the first three quarters of 1998, sales decreased 9% compared with the first three quarters of 1997, in part due to the transfer of a portion of the graphics business to the Kodak Polychrome Graphics joint venture. Excluding graphics sales from both years, and after removing from 1997 the reclassified promotional expenses (see Note 6), sales decreased 5%, as higher unit volumes were more than offset by the unfavorable effects of foreign currency rate changes and lower effective selling prices.

After removing from 1997 the reclassified promotional expenses (see Note 6), sales in the Consumer Imaging segment decreased 5%, as higher unit volumes were more than offset by the unfavorable effects of foreign currency rate changes and lower effective selling prices. Sales inside the U.S. decreased 1%, as higher unit volumes were more than offset by lower effective selling prices. Sales outside the U.S. decreased 9%, due to the unfavorable effects of foreign currency rate changes, lower effective selling prices and lower unit volumes.

After removing from 1997 the reclassified promotional expenses (see Note 6), worldwide film sales decreased 7%, due to the unfavorable effects of foreign currency rate changes, lower unit volumes and lower effective selling prices. U.S. film sales decreased 6%, due to lower effective selling prices. Outside the U.S., film sales decreased 7%, as higher effective selling prices were more than offset by the unfavorable effects of foreign currency rate changes and lower unit volumes.

After removing from 1997 the reclassified promotional expenses (see Note 6), worldwide color paper sales decreased 5%, as higher unit volumes were more than offset by the unfavorable effects of foreign currency rate changes and lower effective selling prices. U.S. paper sales were level, as higher unit volumes were offset by lower effective selling prices. Outside the U.S., paper sales decreased 8%, as higher unit volumes were more than offset by the unfavorable effects of foreign currency rate changes and lower effective selling prices.

Sales in the Commercial Imaging segment decreased 10%, in part due to the transfer of a portion of the graphics business to the Kodak Polychrome Graphics joint venture. Excluding the graphics business from both years, segment sales decreased 6%, due to the unfavorable effects of foreign currency rate changes, lower effective selling prices and lower unit volumes. In the U.S., sales decreased 6%, due to lower unit volumes and lower effective selling prices. Outside the U.S., sales decreased 5%, as higher unit volumes were more than offset by the unfavorable effects of foreign currency rate changes and lower effective selling prices.

Earnings from operations for the Company increased 38%, as the Company continues to realize the benefits of cost reductions and significant gains in manufacturing productivity. Also, 1997 included a pre-tax charge of $186 million for in-process research and development associated with the acquisition of Wang Laboratories' software unit on March 17, 1997. Earnings were adversely affected by lower effective selling prices and the unfavorable effects of foreign currency rate changes. Losses in the digital products portfolio, included in both the Commercial Imaging and Consumer Imaging segments, were $171 million for the first three quarters of 1998 compared with $308 million a year ago.

After adjusting 1997 for the reclassified promotional expenses (see Note 6), SG&A expenses for the Company decreased 16% from 26.2% of sales to 23.9% of sales. Excluding advertising expenses, SG&A expenses decreased 18% from 20.6% of sales to 18.3% of sales. Excluding the Wang charge, R&D expenses decreased 14% from 7.3% of sales to 6.8% of sales.

Earnings from operations in the Consumer Imaging segment increased 6%, as cost reductions in manufacturing, SG&A and R&D, and higher unit volumes, were mostly offset by lower effective selling prices and the unfavorable effects of foreign currency rate changes.

In the Consumer Imaging segment, after removing from 1997 the reclassified promotional expenses (see Note 6), SG&A expenses decreased 10% from 28.8% of sales to 27.3% of sales. Excluding advertising expenses, SG&A expenses decreased 11% from 20.1% of sales to 18.8% of sales. R&D expenses decreased 8%, remaining at 5.3% of sales.

Earnings from operations in the Commercial Imaging segment increased 105% (or 38%, excluding from the first three quarters of 1997 a pre-tax charge of $186 million for in-process R&D associated with the acquisition of Wang Laboratories' software unit), as cost reductions in manufacturing, SG&A and R&D were partially offset by the unfavorable effects of foreign currency rate changes and lower effective selling prices. Document Imaging, Digital & Applied Imaging, Health Imaging and Entertainment Imaging reported improved earnings performance.

In the Commercial Imaging segment, SG&A expenses decreased 24% from 23.3% of sales to 19.8% of sales. Excluding advertising expenses, SG&A expenses decreased 25% from 21.1% of sales to 17.6% of sales. Excluding the Wang charge, R&D expenses decreased 18% from 9.4% of sales to 8.5% of sales.

For the first three quarters of 1998, earnings from equity interests and other revenues increased significantly due to a pre-tax gain of $66 million ($.13 per diluted share) on the sale of a portion of the Company's equity interest in Gretag Imaging Group, as well as gains from sales of real estate and the divestiture of some relatively small businesses. Interest expense was higher due to larger average levels of borrowings. The effective tax rate was 34% in the first three quarters of both 1998 and 1997.

From the beginning of the fourth quarter of 1997 through September 30, 1998, approximately 10,000 employees have left the Company under restructuring programs. This includes 2,200 employees separated by the end of 1997, 3,400 separated during the first quarter of 1998, 2,000 separated during the second quarter of 1998, and 2,400 separated during the third quarter of 1998. Kodak employment as of the end of the third quarter of 1998 is approximately 90,000, slightly lower than at the end of the second quarter of 1998. Workforce reductions have been largely offset by planned hiring in China and planned seasonal hiring in worldwide photofinishing operations.

Since the inception of its cost reduction program, the Company has achieved net savings of $649 million, including $293 million in the third quarter of 1998. The third quarter figure includes approximately $50 million of savings from lower pension and health care costs due to reduced headcount resulting from the restructuring programs, but does not include the benefit of divestitures or the effects of changes in exchange rates and is net of increased investments. Many of the anticipated future headcount reductions are associated with portfolio actions which will generate a lower rate of savings.

On December 31, 1996, Danka Business Systems PLC (Danka) and the Company entered into an agreement for Danka to acquire the sales, marketing and equipment services operations of the Company's Office Imaging business, as well as the Company's facilities management business, then known as Kodak Imaging Services. In connection with this agreement, the Company supplies high-volume copiers and printers to Danka, and Danka provides the Company with R&D funding. Danka is the Company's primary customer for Office Imaging products, accounting for about 90% of Office Imaging's annual sales of approximately $425 million.

Danka is currently experiencing financial difficulties, which could affect Danka's ongoing ability to fulfill the terms of its agreements with the Company. The Company continues to assess the situation with Danka, and could be required to take actions that would result in charges for employee severance and for write-downs of facilities, equipment and working capital. Such charges could have a material impact on the Company's financial position and results of operations.

As described in Note 3, Acquisitions, the Company contributed to two newly formed companies operating in China. Under terms of agreements announced on March 23, 1998, the Company plans to invest more than $1 billion in China over the next several years. The investment will be used to upgrade technology, improve manufacturing capacity and expand distribution and marketing capability needed to build and support a strong domestic Chinese imaging industry.

On April 30, 1998, the Company and Intel Corporation announced a series of agreements that cover joint development efforts in digital imaging products and platforms, a broad patent cross-license, upgrading of Kodak's Qualex photofinishing laboratories with Intel architecture and new scanning equipment, and collaborative consumer-oriented marketing efforts which could amount to $150 million (each company contributing half) over a three-year period.

On May 19, 1998, the Company and America Online, Inc. (AOL) announced an alliance to offer AOL members an exclusive new online service called "You've Got Pictures!"(sm). The service entails consumers taking pictures with traditional cameras and film followed by photofinishers developing the film and then scanning and uploading pictures to AOL via Kodak PhotoNet online. Using an integrated feature of their AOL account, AOL members can view their pictures, organize them into an AOL Picture Album and allow others to access their images.

YEAR 2000

In 1996, the Company established a formal global program office to assess the impact of the Year 2000 issue on the software and hardware utilized in the Company's internal operations and included in its product offerings to customers. The assessment addresses software applications, systems software, information technology (IT) infrastructure, embedded manufacturing control technology, and products and services. Representatives of the global program office and operating divisions meet monthly with the Chief Financial Officer to monitor program status and address issues. In July 1998, the global program office presented its first quarterly update to the Board of Directors. In June 1998, an independent third party completed a comprehensive review of the Company's overall Year 2000 program.

The project phases include: inventorying affected technology and assessing impact of the Year 2000 issue; developing solution plans; modification; testing and certification; implementation; and developing contingency plans. All components of software and hardware of the Company are presently in various phases. The Company expects to have its mission-critical IT systems and server infrastructure tested and installed by the end of 1998, and manufacturing control systems Year 2000 compliant by mid-year 1999. The Company also expects that actively supported products and services, which are presently in the first five phases, will be compliant by the end of August, 1999. The product commercialization process has been modified so that it will produce compliant products.

During the third quarter of 1998, the project team increased global mission-critical compliance from 50% to 70%, used mainframe test facilities to simulate remaining mission-critical formal applications, completed an inventory, assessment and solution plan for the Company's U.S. server network and allocated resources to support the fourth quarter workplan. The project team drove advances in remediation of products and services, and in compliance of operating divisions and third parties.

The Company relies on third-party suppliers for many systems, products and services including telecommunications and data center support. The Company will be adversely impacted if these suppliers do not make necessary changes to their own systems and products successfully and in a timely manner. The Company has a formalized comprehensive supplier compliance program in place. As a third-party supplier to other companies, the Company has posted its own product compliance plan on its Internet web site (www.kodak.com/go/year2000), which was enhanced during the third quarter to support customer and business partner inquiries.

Costs of software and hardware remediation were $13 million in 1997, and are estimated to be $27 million, $12 million and $6 million in 1998, 1999 and 2000, respectively. These remediation efforts, almost entirely for software, will not increase the Company's spending on information technology because some normal development and maintenance work has been postponed. Furthermore, some non-compliant systems will be eliminated in 1999 as the Company installs Year 2000 compliant globally deployed ERP/SAP software in connection with its enterprise resource planning project. A charge for the total cost of product modification of $20 million was accrued in 1997. At September 30, 1998, the Company had a reserve of $11 million to cover remaining product modifications.

Management of the Company believes it has an effective program in place to resolve the Year 2000 issue in a timely manner. Nevertheless, since it is not possible to anticipate all possible future outcomes, especially when third parties are involved, there could be circumstances in which the Company would be unable to take customer orders, manufacture and ship products, invoice customers or collect payments. The Company could be subject to litigation for product failure, for example, equipment shutdown or failure to properly date business or medical records. The amount of potential liability and lost revenue has not been estimated.

The Company has contingency plans for some mission-critical applications and is working on plans for others. For example, plans for the U.S. payroll system have been in place since January 1998, while plans for sensitized goods manufacturing will be completed by year-end 1998. Contingency plans involve, among other actions, manual workarounds, increased inventories and extra staffing.

THE EURO

The Treaty on European Union provides that an economic and monetary union ("EMU") will be established in Europe whereby a single European currency, the euro, will be introduced and replace the currencies of participating member states. The euro will be introduced on January 1, 1999, at which time the value of participating member state currencies will be irrevocably fixed against the euro and the European Currency Unit ("ECU") will be replaced at the rate of one euro to one ECU. For the three year transitional period ending December 31, 2001, the national currencies of member states will continue to circulate but be sub-units of the euro. New public debt will be issued in euro and existing debt may be redominated into euro. At the end of the transitional period, euro banknotes and coins will be issued, and the national currencies of the member states will cease to be legal tender no later than June 30, 2002. The countries adopting the euro on January 1, 1999

are Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal, and Spain. Other countries are expected to follow later. The Company has operations in all of these countries.

It is probable that selling prices of products and services will experience downward pressure, as current price variations among countries are reduced due to easy comparability of euro prices across countries. Prices will tend to harmonize at the lowest level, although value added taxes and transportation costs will still justify price differentials. Adoption of the euro will probably accelerate existing market and pricing trends including pan-European buying and general price erosion.

On the other hand, currency exchange and hedging costs will be significantly reduced; lower prices and pan-European buying will benefit the Company in its purchasing endeavors; there will no longer be gray imports and exports triggered by currency fluctuations among participating countries, since currency relationships will be frozen; the number of banks and suppliers needed will be reduced; there will be less variation in payment terms; and the Company will be able to expand into new marketing channels such as mail order and internet marketing.

The Company is in the process of making changes in areas such as marketing and pricing, purchasing, contracts, payroll, taxes, cash management and treasury operations. Billing systems will be modified so that, beginning in 1999, the Company will be able to show total gross, value added tax, and net in euros on national currency invoices, to enable customers to pay in the new euro currency if they wish to do so. Systems for pricing, payroll and expense reimbursements will continue to use national currencies until year-end 2001. The functional currencies of the Company's operations in affected countries will remain the national currencies until approximately year-end 2000, when they will change to the euro.

The systems costs of adopting the euro are estimated to be less than $4 million because many non-euro-compliant systems will be eliminated as the Company installs ERP/SAP software in connection with its enterprise resource planning project. The Company plans to be at least minimally euro-compliant when necessary, and is preparing contingency plans to address potential delays in systems implementation.

OTHER

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information," replacing SFAS No. 14 and its amendments. This standard requires enterprises to report certain information about their operating segments in a complete set of financial statements to shareholders; to report certain enterprise-wide information about products and services, activities in different geographic areas, and reliance on major customers; and to disclose certain segment information in their interim financial statements. The basis for determining an enterprise's operating segments is the manner in which financial information is used internally by the enterprise's chief operating decision maker. The Company will adopt this Statement in its financial statements for the year ending December 31, 1998. The Company has not yet determined how the "management approach" will impact existing segment disclosures.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. This Statement must be adopted by the Company in the year 2000, but may be adopted in any earlier fiscal quarter, and is not to be applied retroactively. If the Company had adopted SFAS No. 133 as of July 1, 1998, the impact would not have been material to its results of operations or financial position. The Company has not yet determined when it will adopt this Statement.

LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of 1998, the Company repurchased $158 million of shares under the $2 billion repurchase program initiated in 1996, bringing to $1.6 billion the total cost of treasury shares purchased under that program. The Company expects to complete the program early in 1999.

As described in Note 3, Acquisitions, the Company will pay $520 million in cash to acquire most of Imation Corp.'s worldwide medical imaging business. This cash will be obtained from internal operations and, if needed, from the capital markets.

As described in Note 4, Divestitures, the Company will receive $137 million in cash from the sale of the assets and liabilites of NanoSystems to Elan in the fourth quarter of 1998.

Net cash provided by operating activities for the first three quarters of 1998 was $438 million, as net earnings of $1,118 million, which included non-cash expenses for depreciation and amortization of $619 million, were offset by decreases in liabilities (excluding borrowings) of $553 million, a $334 million increase in inventories and a $216 million increase in receivables. Net cash used in investing activities of $883 million for the first three quarters of 1998 was due primarily to additions to properties of $619 million and acquisitions (net of cash acquired) of $415 million. Net cash provided by financing activities of $94 million for the first three quarters of 1998 was due to net increases in borrowings of $516 million and exercise of employee stock options of $163 million, offset by $427 million of dividend payments and $158 million of stock repurchases.

During the third quarter of 1998, a cash dividend of $142 million (44 cents per share) was declared on the Company's common stock, versus $143 million (44 cents per share) a year ago. Total cash dividends declared for the year-to-date periods of 1998 and 1997 amounted to $427 million ($1.32 per share) and $434 million ($1.32 per share), respectively.

Cash, cash equivalents and marketable securities were $434 million at the end of the third quarter, compared with $752 million at year-end 1997. Net working capital at the end of the quarter was $254 million, compared with $298 million at year-end 1997. The decrease in cash, cash equivalents and marketable securities is primarily attributable to the Company's investments in China and restructuring payments.

Capital additions for the third quarter of 1998 were $246 million compared with $346 million for the third quarter of 1997. For the first three quarters of 1998, capital additions were $619 million versus $1,024 million a year ago.

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 Private Securities Litigation Reform Act of 1995. Forward-looking statements in this 10-Q relate to the Company's Year 2000 and euro compliance efforts, including expectations about compliance timetables and costs.

Actual results may differ from those expressed or implied in forward-looking statements. With respect to any forward-looking statements contained in this report, the Company believes that its results are subject to a number of risk factors, including: the ability of the Company to identify and address successfully Year 2000 issues in a timely manner, and at costs that are reasonably in line with projections; and the ability of the Company's vendors to identify and address successfully their own Year 2000 issues in a timely manner.

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

Item 3. Quantitative And Qualitative Disclosures About Market Risk

The Company, as a result of its global operating and financing activities, is exposed to changes in foreign currency exchange rates, commodity prices and interest rates which may adversely affect its results of operations and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Company manages exposures to changes in commodity prices, interest rates and foreign currency exchange rates through its regular operating and financing activities.

Foreign currency forward contracts are used to hedge certain firm commitments and the currency risk inherent in the deposit-taking and lending activities of the Company's International Treasury Center. Option and forward contracts are used to mitigate the Company's risk to fluctuating commodity prices. The Company's exposure to changes in interest rates results from its investing and borrowing activities used to meet its liquidity needs. Long-term debt is generally used to finance long-term investments, while short-term debt is used to meet working capital requirements. Derivative instruments are not presently used to adjust the Company's interest rate risk profile. The Company does not utilize financial instruments for trading or other speculative purposes, nor does it utilize leveraged financial instruments.

The majority of foreign currency forward contracts are denominated in Australian, British, French, German, Irish and Spanish currencies. The magnitude and nature of such hedging activities are explained further in Note 11, Financial Instruments, in the Company's 1997 Annual Report on Form 10-K. If foreign currency exchange rates of currencies sold increased 10%, the Company would incur a $106 million loss on foreign currency forward contracts outstanding at September 30, 1998. Such losses would be substantially offset by gains from the revaluation or settlement of the underlying positions hedged.

The Company has used silver option and forward contracts to minimize its exposure to increases in silver price in 1998 and 1999. As of September 30, 1998, the Company had hedged almost all of its planned silver requirements for 1998 and the first quarter of 1999, and had open forward contracts. Based on broker-quoted termination values, if the price of silver decreased 10% from $5.39 per troy ounce at September 30, 1998, the fair value of silver forward contracts would be reduced by $15 million. Such losses in fair value, if realized, would be offset by lower costs of silver-containing products manufactured during 1998 and 1999.

The Company is exposed to interest rate risk primarily through its borrowing activities and less so through investments in marketable securities. The Company utilizes U.S. dollar-denominated commercial paper and borrowings as well as foreign currency-denominated borrowings to fund its working capital and investment needs. The majority of short- and long-term borrowings and marketable securities are in fixed-rate instruments. There is inherent roll-over risk for borrowings and marketable securities as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and business financing requirements. Using a yield-to-maturity analysis, if interest rates increased 10% (about 51 basis points) with the September 30, 1998 level of debt and marketable securities, there would be decreases in fair value of marketable securities, short-term and long-term borrowings of $1 million, $1 million and $10 million, respectively.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

In April 1987, the Company was sued in federal district court in San Francisco by a number of independent service organizations who alleged violations of Sections 1 and 2 of the Sherman Act and of various state statutes in the sale by the Company of repair parts for its copier and micrographics equipment (Image Technical Service, Inc. et al v. Eastman Kodak Company, "ITS"). The complaint sought unspecified compensatory and punitive damages. Trial began on June 19, 1995 and concluded on September 18, 1995 with a jury verdict for plaintiffs of $23,948,300 ($71,844,900 after trebling). The Company appealed the jury's verdict, and on August 26, 1997 the 9th Circuit Court of Appeals rendered its decision affirming in part, reversing in part, and reversing and remanding on the issue of used equipment damages. The court affirmed the jury's liability rulings, but reduced damages (after trebling) from $71,844,900 to $35,818,200, and narrowed the scope of the injunction under which the Company is required to make parts available. On April 27, 1998, the Supreme Court denied the Company's petition for Supreme Court review, effectively concluding all aspects of the case except plaintiffs' used equipment claim. The Company took a third quarter 1997 pre-tax charge of $46,000,000.

Two cases that raise essentially the same antitrust issues as ITS are pending in federal district court in San Francisco: Nationwide, et al v. Eastman Kodak Company, filed March 10, 1995, and A-1 Copy Center, et al v. Eastman Kodak Company, filed December 13, 1993. A-1 is a consolidated class action. The complaints in both cases seek unspecified compensatory and punitive damages. On September 16, 1998, the Company and plaintiffs in ITS, Nationwide, and A-1 engaged in a successful mediation, effectively concluding these cases. Under the terms of the mediated settlement, the Company will make a payment to plaintiffs in return for plaintiffs' discontinuance of the litigation, with prejudice. The amount of the Company's payment, which was covered by previously recorded reserves, will not be material to the Company's financial position or results of operations. The resolution of A-1, the class action, is subject to court approval.

A fourth repair parts case, Broward Microfilm, Inc. v. Eastman Kodak Company, a purported national class action which was filed February 27, 1996 in federal district court in Miami, was dismissed without prejudice on May 13, 1998.

On July 7, 1998, the Company received a proposed administrative Consent Order seeking unspecified penalties and a compliance schedule from the New York State Department of Environmental Conservation, to address alleged violations of the Environmental Conservation Law and regulations at the Company's Kodak Park manufacturing complex in Rochester, New York. The violations alleged are primarily comprised of air, water, and hazardous substance releases and incidents, largely accidental, that have been reported by the Company to the Agency over the past five years. The Company expects that it will be assessed a civil penalty in excess of $100,000.

The entire matter is subject to negotiation, which can be expected to result in an administrative settlement that will include a penalty and a compliance schedule for implementation of maintenance, upgrade, and reporting activities. The Company has been designated as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (the "Superfund" law), or under similar state laws, for environmental assessment and cleanup costs as the result of the Company's alleged arrangements for disposal of hazardous substances at approximately nineteen active and twenty-five inactive Superfund sites. With respect to each of these sites, the Company's actual or potential allocated share of responsibility is small. Furthermore, numerous other PRPs have similarly been designated at these sites and, although the law imposes joint and several liability on PRPs, as a practical matter, costs are shared with other PRPs. Settlements and costs paid by the Company in Superfund matters to date have not been material. Future costs are not expected to be material to the Company's financial position or results of operations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits and financial statement schedules required as part of this report are listed in the index appearing on page 24.

(b) Reports on Form 8-K.
No reports on Form 8-K were filed or required to be filed for the quarter ended September 30, 1998.

SIGNATURES

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

EASTMAN KODAK COMPANY
(Registrant)

Date November 10, 1998

E. Mark Rajkowski
Controller

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

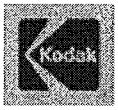
Exhibit		Page No.
(10)	I. Eastman Kodak Company 1995 Omnibus Long-Term Compensation Plan, as amended effective October 8, 1998. (Incorporated by reference to the Eastman Kodak Company Annual Report on Form 10-K for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1997, the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998, and the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, Exhibit 10.)	25
(27)	Financial Data Schedule - Submitted with the EDGAR filing as a second document to this Form 10-Q.	

Exhibit (10) I.

EASTMAN KODAK COMPANY 1995 OMNIBUS LONG-TERM COMPENSATION PLAN

The first sentence of Section 6.1, entitled "Available Shares," is hereby amended in its entirety to read as follows:

> The maximum number of shares of Common Stock, $2.50 par value per share, of Kodak which shall be available for grant of Awards under the Plan (including incentive stock options) during its term shall not exceed 22,000,000.



EASTMAN KODAK CO (EK)

343 STATE ST
ROCHESTER, NY 14650
716. 724.4000
http://www.kodak.com

EX-27

FINANCIAL DATA SCHEDULE
10-Q Filed on 11/10/1998 - Period: 09/30/1998
File Number 001-00087



LIVEDGAR® Information Provided by Global Securities Information, Inc.
800.669.1154
www.gsionline.com

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE THIRD QUARTER 1998 FORM 10-Q OF EASTMAN KODAK COMPANY, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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