FINAL TRANSCRIPT

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CORPORATE PARTICIPANTS

Ann McCorvey
Eastman Kodak Company - Director IR and VP

Antonio Perez
Eastman Kodak Company - Chairman and CEO

Mary Jane Hellyar
Eastman Kodak Company - President Film, Photofinishing and Entertainment Group and EVP

Phil Faraci
Eastman Kodak Company - President and COO

Frank Sklarsky
Eastman Kodak Company - CFO & EVO

CONFERENCE CALL PARTICIPANTS

Mike Feinstein
Gagnon Securities - Analyst

Ulysses Yannas
Buckman, Buckman & Reid

Michael Ellman
Mayo Capital Partners

Shannon Cross
Cross Research

Gurdal Shaw
Davidson Kepner - Analyst

Joan Lappin
Gramercy Capital - Analyst

Delroy Warmington
Delwar Capital Management - Analyst

Mike Shrek
Longacre Fund Management - Analyst

PRESENTATION

Operator

Ladies and gentlemen, the program is about to begin. Please take a moment to silence your cell phones and other communication devices. Please note that the taking of photographs and the use of recording equipment is strictly prohibited. We would also like to inform you that food and beverages are never permitted in the Times Center auditorium. Thank you, and we hope you enjoy the program.

Ann McCorvey - *Eastman Kodak Company - Director IR and VP*

Good morning, I'm Ann McCorvey, the Director of Investor Relations for Eastman Kodak. And I would like to welcome you to our 2009 Investor Meeting. We're glad you joined us here at the Times Center, and I'd also like to welcome those on the phone who are joining us via webcast.

Before we begin, as usual, I'd like to take care of a few housekeeping items. I'd like to call your attention to the Safe Harbor on the screen. Not so that you can read it because it's printed in your handout, but just to let you know that during today's discussion, certain statements may be forward-looking in nature or forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995.

These forward-looking statements are subject to a number of important risk factors and uncertainties which are fully enumerated in the handouts and on our website. Listeners are advised to read these important cautionary statements in their entirety, as any forward-looking statements need to be evaluated in light of these important factors and uncertainties.

Lastly, Kodak has significantly reduced its references to non-GAAP measures. But in those instances where they are used, they are fully reconciled to the nearest GAAP equivalent in our handout and our website.

For today's discussion, we'll hear first from Antonio Perez, our Chairman and CEO, followed then by the two business leaders, Mary Jane Hellyar, President of Film, Photofinishing, Entertainment Imaging Group; Phil Faraci, our President and Chief Operating Officer; and then we will wrap-up with Frank Sklarsky, our Chief Financial Officer.

Now I'll turn it over to Antonio.

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

Thank you, Ann. Good morning, everyone. Thank you for attending. Before I go with the presentation, I have three comments first, background comments. We're going to talk about the period of 2009 to 2012. And we're going to put up, obviously, a special emphasis in 2009.

But the first comment is obviously, there is a high level of uncertainty out there. I have to tell you that, with this economic environment, so we made certain assumptions. We think they are conservative -- certainly, the ones that we think are the most appropriate. And we made the plan based on those assumptions. We're going to monitor those assumptions closely and if reality is different than those assumptions, obviously, we will adjust our plan accordingly.

Basically what we've done is for 2009, we assumed that there's going to be a decline in -- if you take all of our digital markets, where we are participating in, basically, we expect a decline of 10% when you put them all together. So a contraction of 10% for the year, 2010, and that contraction is going to be worse in the first half, and then slightly better in the second half, but contraction nonetheless.

For 2010, we only assumed in a very small recovery. And then for 2011, we have assumed in the plan that the market growth and the market margins, they will be approaching those of 2007. So most sources of opinion, whether this is conservative enough, but this is what we've done with the plan. If it's better than that, we will be very happy. If not, we will adjust accordingly.

The second comment that I want to make is that we are very happy with the performance of the digital portfolio that we have created. We have six quarters, six consecutive quarters of growth, four consecutive quarters of double-digit growth, obviously until basically the last four months of last year. But given this environment, we're not going to be able to continue to invest in the whole portfolio, so we have divided that portfolio -- the whole Company, actually -- in three buckets.

And we're going to treat them differently. And we'll explain to you what is in each one of those buckets and what the strategy is with each one of those. We believe that's the best way to extract the biggest value for -- from the portfolio.

And number three, even in this very difficult environment, we feel very strong about our cash position, about our balance sheet, about not only our debt, but our debt maturity and as well, about the status of our pension plan.

With all those bases, let me start with our first slide -- my first slide. So again, we start with a strong cash position, balance sheet that we feel very well with. Then we divided our portfolio in three groups, three groups of product line. We will go through the presentation; you're going to see them in a lot more detail. But basically, the first group is a group of product lines that are stable; that we believe they can be managed as cash-generation businesses. They've been behaving like that -- very much all along.

Then we have another group that is what we call the core investments. And those are the ones that we identify at the core of the strength of our strategy, the intersection of material science and digital image science, where we have the strength of our IP, the strength of our know-how, and where the brand fits the best. And as well, those are investments that have -- where we've been making a lot of traction, even in very difficult times. And we will continue to do those.

The other good news about that group of businesses is that they will allow us to participate in an overall market that is more than $100 billion. There is a lot of opportunity for us.

The third group is the group that we have to transform. And we will take you through what is in there and what we're planning to do. And we will transform them to extract the best value that we can extract from those businesses. But obviously, we're trying to lower the risk and lower the cash usage given the economy the way it is today and the lack of growth in the economy.

We will concentrate, during 2009, in the things that we can control. And we're going to do those well and we're planning to start 2010 in a better position.

Unprecedented economic uncertainty -- don't need to tell you this. Now our business, in case you haven't noticed, is about already at the end of 2008, is about 70% B2B and only 30% B2C that was part of the original goals that we had when we created the new Company and we are there.

Now both have been affected by this economy, although in different ways. The Consumer part, very much because a lot of their business comes especially in the last three months of the year, where the economy performed the worst. And the lack of consumer spending, obviously, was an issue. We kept market share or we grew market share in our products, but nonetheless, we've been affected. We were affected significantly like everybody else.

In the B2B business, we actually felt the economy, the weak economy way early. At the beginning of the year already, we have a lot of small size customers, printers and others, businesses between $3 million to $50 million of revenue for the year. They constantly need short-term credit for their new product, for their new plan, even for their inventory, and they had a lot of difficulties from the beginning of the year.

So because the top line obviously was a lot lower than we thought because of the second half of the year, we need to change the cost structure. We put a plan in place. It has been announced already, and we are implementing it.

We are as well a global company. 60% of our sales come from outside the US. And we were affected as well by the volatility of the currency and the commodities. It has been a very difficult year to plan for.

In 2009 again, we will concentrate in the things that we can do, we know how to do and we have control of. We're going to focus on our customers but will continue to invest in those core businesses that I will describe in a minute. We will align the cost structure to the new top line. It's been announced. It's in process. We will finish with a plan before the end of the second quarter. We will conserve cash and that means all sorts of things, including managing the bucket of cash generation businesses very effectively toward the generation of cash -- more to come from me and from Frank.

And we will transform the rest of the portfolio. It is a process. We have started the process already, a few months ago. We have already a lot of contacts. We don't have anything to announce, obviously, but we will transform those parts of the portfolio with the idea of lower the risk, lower the investment and less cash usage, while keeping -- extracting the best value we can from those businesses.

I need to tell you the story of last year because -- as you probably know this but I still need to tell you -- there was a story of two halves very much. The first half, our Digital revenues grew 10%, again four consecutive quarters with double-digit growth. Traditional was doing very well, very much in line, slightly less decline than we were planning. Entertainment Imaging, which is a huge part of the business, was very stable, very modest decline.

We introduced a lot of new products that were very well received. Specifically, you probably remember the comments we made about drupa, Stream was the star of the show. We got a tremendous amount of orders. We were moving. We were very happy with the first half of the year.

Very solid cash position, we knew that we we're going to get the IRS refund, so we accelerated investments. You probably remember them -- after the first quarter, we announced we're going to investment $125 million more to do two things, fundamentally, one, move up the introduction of Stream, which we did. We are on track. Stream is going to come three to six months earlier than we had it planned at that time; and to expand the portfolio and the platforms of Consumer Inkjet, which you'll see those products by the end of the year.

And as well, so that's where we used that extra cash. We used it for that. We used it as well to retire some debt. And we bought some stock. That was basically the usage of that cash.

Second half was very different, though. The third quarter, we were able to get by but it was obvious that things were going very badly. You can see the chart, on the green part of the chart, what happened with the Digital business in the fourth quarter. And as well, the Traditional business was affected as well. It was all sorts of things. It was the price mix in consumer electronics that came as a consequence of the lower volumes, lower demand. We held our market position or grew market position, which gave us the confidence that we were having the right products out there.

Inkjets -- Consumer Inkjets -- did extremely well in the worst part of the year when things were going really badly, but it did especially well. So Phil, will tell you more about this, but obviously we feel very strong about the value proposition we have there.

And then the whole economy affected the sales of equipment and as well, and we saw the majority of, a good number, a very good number, a very large number of the orders that we got, preliminary orders at the drupa they were either delayed or cancelled. We had to start finance some of our customers. The ones that we, obviously we thought they were credit worthy. And EI, even though the state work table that you will see by Mary Jane later, we had to deal with the threat of the labor actions.

So now we're facing all of this. It is what it is. We are where we are. We are happy with the things that I described to you, that we are happy. But we have to deal with the situation the way it is.

The core strategy remains the same. The strength that we have lies right at that intersection of material science and digital image science. We feel very strong about the IP portfolio we have in that space. We feel very strong about the know-how that this Company has. We think that it's unique in the industry, a combination of those two. And it's proven in those products that go right at that intersection.

We have a balanced portfolio. Now, as I told you before, 70/30 between B2B and B2C -- we wanted to get there. We think that will give us more stability on moving forward. And we are moving rapidly to create more annuities as part of the overall revenue, and you will see that already this year but you will see it more and more as we come along.

And we're going after markets that we believe either they are changing the new investments, the core investments. We're going after markets that either they are changing or we believe they are in need for a new business proposition, for a new value proposition.

This is the business; I won't dwell into this because Mary Jane and Phil will go into this. But basically, what we expect for 2009 is a contraction. So there will be $3 billion for GCG, $3 billion for CDG, and $2 billion for FPEG. And we'll leave it up to Phil and Mary Jane to take you through that.

These are the three buckets that we have created, now I'll go in detail, and what is in each one of those? So this is looking at the portfolio from a different angle. This is not our segments that we report, but you can certainly move from one to the other easily, with information that we're going to give you.

$6 million of cash generation -- those are businesses that either they've always been cash generation businesses which are, most of them are. There is one that we'll mention to you, a few things now. But they can all be managed for cash generation, and that's the way we're going to manage them in 2009.

They're very sustainable. They tend to have a growth that is slightly higher than GDP, not much more. But they're very stable. And in all of them, we have a very, very strong market position, mostly worldwide leader or at least one of the top three. Then we have the $1 billion that this is the revenue due in 2008.

Those figures, 6, 1, 2, those are -- that's the revenue from 2008, what we call the core investments. They are three businesses that I will describe in a minute. And they offer a very large market. But we can participate with those technologies and they have a lot of growth potential. And we believe we have a very strong and differentiated value proposition.

And then there's the $2 billion, there's a variety of businesses there that we need to transform. And again, the purpose is to extract the biggest value we can while we reduce the risk we can invest in this business by ourselves in this environment. We have to find another business model for those businesses.

So you'll see them here. The cash generating businesses are the Prepared Solutions, Document Imaging, Digital Capture and Devices. This is the only one that has been a cash generating business. Until last year, it wasn't because it was so hardly affected in the last two months of the year. It will be a cash generating business. We can manage this business to be a cash generation business.

Retail System Solutions and Entertainment Imaging -- this is a $6 million business. We feel that this is a very strong base which to ground the Company from. Again, in each one of those businesses, we either are the number one worldwide in market share or at least one of the top three -- very strong position, very stable, good margins in most of them.

The $1 billion business investment, this is the Consumer Inkjet, Commercial Inkjet with Stream and Enterprise Solutions which is the workflow, workflow solutions. They have an addressable market of more than $100 billion. We're doing very well; you'll hear more about the progress we have made in each one of those. And the rest is the $2 billion businesses and those are the seven businesses that we include. And that leaves -- and those are the ones that we will transform. I'll go more into that in a minute.

So again, I plan to spend a lot of -- in this slide, but this side, what we call the cash generators. Remember, Digital Capture Devices includes the IP licensing; it always did. And this business has a large part of their revenue coming from annuities. In the case of Digital Capture, the annuity comes from the IP royalties.

All the others, they have a significant part of ongoing businesses, long-term contracts, a lot of supplies, a lot of service, something that keeps coming to dinner. So we feel very strong about this group of businesses, even with this environment. They tend to grow at about a slightly over the GDP. If the GDP goes down, we won't have growth, but we will still have good profits and good cash.

The second part -- the second bucket is what we call the core investments. And again, I already mentioned the group of these three technologies, these three businesses, address a market that is larger than $100 billion. We are already in the market with - actually, with the three of them. Although, one of the new technologies, that is very fundamental for the success of this business, the Stream, is coming as we speak. The head will be out this year and the full press will be out at the beginning of 2010.

We have breakthrough technologies in the three of them. We have very strong position in the market. We're gaining share with them. They have very good margins and they have a lot of annuities.

I would put them in this way to describe to you what kind of transformation we are looking for those. In the case of Qualex, we already announced that we're getting out of that business; we couldn't find any other way. It was losing money; it was time to let it go. And so we closed that business, and we will do that before the end of the second quarter, we'll be done.

The second group, Color Paper, Consumer Film, Graphic Art Film -- they already declined in business as you already know. We are already managing them for cash, but we can be even more effective if we manage for short-term cash. And this is what we are going to do. We're going to cut a lot of the costs in the businesses and we're going to be right after maximizing the short-term cash in those businesses.

More difficult will be what we have to do with the other four. Those are valuable businesses. In all of them, we have IP technology, know-how, strong brand, very good position in those businesses, but we don't have scale. We don't have enough scale in any of them and therefore, they require investment.

We have decided that we have to find another way to develop these businesses. We can't afford to do it by ourselves because the market doesn't have the growth that we were expecting it would have when we put the plan together a few years ago.

So there are a lot of opportunities for this business. This business is attractive. There are a lot of people that would like to be part of this business, and contribute with us to scale these businesses.

This is just an example, I'm not trying to tell you exactly this is what we're going to do, but we've been working on this now for a number of months. Just in the third quarter, we started to look about, what is it that we can do with these businesses that will lead to scale faster and lower the risk.

So with Image Sensors, we have a profitable CCD business of $40 million or so, or $60 million. We have intellectual property. We have a lot of CMOS know-how; we have a lot of partners that want to work with us in CMOS. We have to scale the business and we have to scale the business fast.

Maybe we could have done it by ourselves under other conditions with different markets. But given how the market is now performed, how the whole thing is -- the best thing for us is to look for a structure that is stable, it's a little more stamina, more breadth, immediately goes very fast to scale, high-scale numbers which deliver the cost in this business. In the Semiconductor business, time-to-volume is time-to-profit. So it's very important that we find a way to do that rapidly and we are investigating that.

Kodak Gallery -- we have a large, very large installed base. We have a very powerful brand. A lot of IP as well in network photo, and we're looking for an alliance, some kind of an alliance that would allow us to expand into other areas that we haven't been able to expand now. But from that large installed base of web-based photofinishing, which is basically our business now is web-based photofinishing and some merchandising, we can expand into other business models. But we need to invest in that and we're looking to see if we can do that through some kind of an alliance.

Electrophotographic Printing -- we're very strong in one area of the market, only one, which is the very high end of the market. The very, high-volume color is not enough. It's a strong position, but it's not enough. We have the -- we are the reliability leader. We have a breakthrough toner technology that many would love to have.

But that business, to be successful, needs to scale down, go into other areas of the electrophotography. We can't do it by ourselves at this time. So the choice is either is we stay with the segmentation that will make, as we adjust to that very high end. There won't be a lot of growth there but there will be a small business that we could run. Or look for another way again, some kind of alliance. We have, as well, the possibility of doing some licensing, to bring some cash and revenue too.

OLED, Mary Jane will talk more about that. Again, we are the leader. We invented this technology. We are the leader, and certainly, we have enormous amount of IP. We invented all the deposition part of this technology, which is fundamental for this technology. But again, it requires a lot of investment and is taking longer for the market to grow that industry than originally thought. So the best way to deal with this would be, as well, do more licensing and find a partner that will go with us along this journey.

In doing those things, this is what happens. 2008, I'm not sure that we have disclosed this number before, but it's perfectly clear here that we invested $500 million in the core investment. We debated whether to put that number or not there, but that's what it was. So those core investments, they are a significant investment, obviously, for the Company. We know that they have a high return and we know there will be less and less as the years go by.

Imagine now, as I am standing here, we have more than a million printers, we know that we have a very high usage in our printers that are more than eight cartridge, eight cartridge per printer a year. So we have 80 million cartridges already, that will be sold and they come with a very high margin. So that is how this thing works. That is how this thing works. So you see the black, I guess is the black part of the index the way it goes. It goes exponentially high once you get to the breakeven point.

With the cash generators, you can see that we've taken a conservative approach in 2009. We think it's a very hard year. We're not sure how this is going to evolve. We assume that we're not going to get as much cash as we used to get from those businesses, even though they are solid and they are profitable. The GDP worldwide is negative, so we were conservative with that. But we think it will start to come back here in 2010.

And then you can see what happened with the transformed businesses that we've been cautious about our ability to do all these transformations that I described to you. We have perfectly -- it worked, but it's not that easy to -- I mean it's easy to find a partner. It's not that easy to find the deal that you want with the partner.

So although we are in contact with people and each one of those things that I mentioned to you, the transformed businesses, we're already working on each one of those. And we have contacts, we have partners, we have negotiations. But we know that, we're not going to get a bad deal. So we've been conservative as far as how fast we can make these things happen. If they go faster, you'll see a better result than that.

So again, going to the assumptions for this year, weak economic climate continues like the fourth quarter basically stays for the first half of the year, second half of the year slightly better, but it's still a contraction. So we have all these cost reductions and all these other activities that I shared with you.

This is the official plan for the year. We expect the Digital revenue going down from 6% to 12%; Traditional, 25% to 30%; the overall Company, 12% to 18%; segment earnings between $0 and $200 million; and cash generation, $75 million to $325 million. Wide variability is hard to -- there's not a lot of visibility out there. The more visibility we get, the more that we will pass to you.

And for the period, these are some of the key assumptions that will drive the business model that I'm going to show you in a minute. In Digital Capture and Devices, it's going to have, for the period, modest growth. And that growth is going to come from new innovative products, like the ones we've been bringing in the last few years. It's not just digital cameras. There are a bunch of other consumer appliances in Digital Imaging that will keep bringing revenue. But nonetheless, very modest growth.

Retail system, they will be growing because of the conversion from wet mini labs to dry mini labs, it has a lot of traction already. It's moving very rapidly. We don't -- we are not a large supplier of wet mini labs, and we want to be the leader in dry mini labs.

Entertainment Imaging, we'll continue to have modest declines. Mary Jane will show you projections. The decline keeps getting less than we always planned, so we've been conservative along the way in the sense that we always plan for more decline than actually is happening in that business. And she will take you through that.

Prepress Solutions and Document Imaging, where we are worldwide leaders, it will drive GDP because our customers are very much driven by GDP growth. And Consumer Inkjet, we'll continue to gain share. As happens at the moment, we started with this business and it's accelerating, and the fourth quarter was the largest growth. December was spectacular when we expected that it was going to be terrible, then the value proposition becomes even more powerful in these bad times.

Phil will tell you that we have tripled the installed base from year-to-year. We have plans to double the installed base for next year. Nonetheless, we believe that the breakthrough point that we told you before was going to be towards the end of 2010. Now inevitably, it's going to move a few months if the market continues -- if the overall market continues with this decline.

The Stream Press will be in the market place as we told you lately. We gain three to six months. We expect it to be in the market early in 2010. And the Workflow Solutions will achieve breakeven. This is one of our key investments. This will be the first strategy to breakeven -- will achieve breakeven during this year.

Again, for the period, as far as how are we going to manage these three buckets? The cash generators, they will, if you look in the chart before, we assumed less cash generation during this year because we expect the market that will be very hard. We expect that cash generation to go back once the economy recovers because those businesses are driven very much by GDP growth. Nonetheless, the growth, we don't expect huge growth, but low-single-digit growth. And we remain as cash generators for the whole period.

The core investments will have, obviously, large growth, because the markets we're getting into are very large. And we are still small. During the period, we'll move from investment mode to profit generation mode and the mix will shift significantly from hardware to annuities.

And the ones that we transform, we will do cost reductions, we will do rationalization of all our product portfolio, the key is how effective we are with the partnerships. We understand that there's not issues in the world, but we've done a lot of those things. So I have faith that we will get a few of them along and that will help a lot with the transformation.

Which will lead me to the business model, from where we know today, and based on the assumptions that I gave you at the beginning, this is conservative. But of course, I said as well, that the visibility is precarious. So what you see here is that we're not planning to get to the gross profit that we had in 2007 in 2011.

We want to make sure that we wanted to make sure that we were not too optimistic with this. So we planned our cost structure based on this, on certain top line that was going to be depressed for three years or 2.5 years, and a gross margin that were going to be under pressure for the same period of time. If it's not like that, I will be very happy. If it is like this, we'll have the cost structure that we need to deal with it, with this Company.

You can see here, very modest recovery during 2010 and then 2011, approaching the growth and the margins that we had in 2007. And that is with a mix that is very different than the one that we had in 2007. 2007 had a lot of hardware into those numbers. In 2011, you will have a lot of annuities; percentage of annuities will be a lot higher.

The last slide is like the first slide; I won't spend a lot of time. I feel as strong about our cash position and balance sheet. We have stable cash generation. They're the base from those. We can make investments; we're going to invest in the core. We're going to transform the rest. Work on the things that we can control and do it well. Be smaller but better in 2010.

Thank you very much. The next person will be Mary Jane.

Mary Jane Hellyar *- Eastman Kodak Company - President Film, Photofinishing and Entertainment Group and EVP*

Thank you, Antonio. Good morning. Today, as I talk about FPEG, the overarching objective of our business is really very consistent with the message you've heard over the last several years. And that really is all about cash generation. So I'm very pleased, as we stand here today and look forward over the horizon, 2009 to 2012, it's clear to me that FPEG will continue to be a very strong cash generator for Kodak. That will be driven by very stable operating margins that will grow to 6% to 8% over the horizon, and also be driven by continuing improvements in our working capital.

We've been successful over the last several years at driving our inventories down at roughly the rate of our revenue decline. And we look forward, going in the future, that we'll continue to make progress on inventory reduction; and also in terms of our accounts receivable, had very strong performance and going forward continue to see that as an opportunity for us.

Clearly, in our business, generation of cash is being driven largely on the back of cost reduction. And this is certainly not new for us. But the bar continues to rise. And we continue to be very aggressive on costs going forward.

I think if we look at this horizon and needed to summarize it in a word, we talk about leverage, working hard to leverage across our product portfolio wherever we can to be able to use common raw materials, common in our medias to be able to speed up our changeover times to be able to take more inventory out of our supply chain, especially in our raw materials and our work in progress. Also, leverage across our full portfolio in terms of being able to utilize our capacity as efficiently as possible; and continue to work on our go-to-market and be able to drive costs out of our go-to-market.

Also, a common theme that you would have heard over the last several years is that we see a very solid profit outlook for Entertainment Imaging business going forward. And we'll spend more time talking about that. So if you look at this slide this year and you go back over the last two years, it will look fairly similar. And for a business that's been in a rate of decline, as FPEG, I consider that to be very good news in terms of how we're managing the business and the outlook that we see over yet from this planning period.

Now just a quick reminder about the portfolio -- Antonio covered this very briefly -- we're about a $2.2 billion business in 2009. The largest component of that is Entertainment Imaging. It's comprised primarily of Film for both Origination and Distribution. But it also has a growing Digital Services and Digital Cinema business.

We also have a significant business in Traditional Photofinishing. That's comprised largely of Color Paper and Photo Chemistry. And this is where our Qualex business also sits. And as Antonio said, we're in the process of exiting that business, which is really our central lab function.

And then we have several businesses that are smaller, including Film Capture as well as a number of industrial applications in Graphics Film, Aerial Film, Printed Circuit Boards, all of which are roughly $0.5 billion. So across this portfolio, very solid cash generating businesses.

Because of the importance of Entertainment Imaging, really to this cash engine, I wanted to spend some time talking to you about some of the trends in the business and also some of our projections in terms of business model going forward. First of all, from an industry perspective, there are several important key industry metrics that in fact should strengthen 2008.

One that always comes to mind is in terms of what's going on in the box office? And in fact in 2008, we saw the box office, on a global basis, grow by about 5%. In the US, it was fairly stable. The final numbers are not out yet, but there's a range of plus or minus 1% versus last year. And 2007 was a record year. So it continues to see strong box.

In addition, another metric is number of new screens, screen growth. And every region around the world grew in terms of new screens, in terms of total screens. And the total global growth for new screens was 2%. Every region was between 1% and 2% with the exception of LAR that was up about 4% year-on-year. So a number of metrics that would say, it continues to be a very solid industry.

With that said, 2008 had its shares of challenges from labor actions in particular. And then we'll talk about the economy. Some of you may recall that as we came into 2008, we were in the midst of a writer's strike in Hollywood. And the first quarter of our Entertainment Imaging business was impacted by that, largely impacting the Television business, both from a Capture Film, Origination Film point of view and also Digital Services.

In June, the contract with the Screen Actor's Guild expired and so the latter half of 2008 actually showed a significant slowdown in terms of new production activity in Hollywood, as there's uncertainty around the resolution of that situation going forward. And then in the fourth quarter in particular, we did start to see an impact on a more global basis from the overall deteriorating economic situation. And that had a particular impact on our Commercial business.

So as we look at 2009, we have to keep that in mind. I'm confident that the Actor's -- the Screen Actor's Guild, will reach resolution within that year, likely I would hope, in the first part of the year. But certainly, we'll have the ongoing impact of the economic situation. And as Antonio shared, we've built into our model a 2009 that is fairly similar to what we saw in the back half of 2008.

Now one of the trends in the entertainment imaging Industry, in general, is the enthusiasm over moving from analog screens in cinemas to digital. And this has been a trend that over the last two or three years has gotten a lot of attention, a lot of enthusiasm, and driven in large part by 3D.

There's really been an increase on the part of the studios for 3D releases. In 2008, we saw a ton of those. The projections are for 15 in 2009. For 3D, you need to have a digitally equipped screen. And so there was a lot of enthusiasm for that last year and particularly as we were putting together our estimates.

In fact, with the tight credit situation that we're seeing in 2008 continuing into '09, the move to digital adoption has essentially stalled out. And you can see on this slide, that our projection was -- in fact, that in 2008, we'd reached 12% of the worldwide screens. First run screens going to digital, in fact, it was 8%. So a significant change and all of this is really being driven about, the conversion to digital is expensive for the exhibitor. It has a very complex financing and funding model. And so with the tight credit, we've really seen this slow down.

You can see in the graph on the right, the implications of that. The higher line was what we had projected last year in terms of digital substitution. And the lower line is triangles, is what we're looking at this year. These are industry data. And so you can see a significant change.

Now in terms of our own planning, what are the implications of that? And you can see on the chart here, the solid line is really the base case. And this is an industry forecast from a variety of different sources. And the envelope around that line is really the set of assumptions that we look at in terms of the possibilities.

And here's where, Antonio has mentioned that each year as we come back and evaluate how last year performed, we do tend to be ahead of this curve, which from a Film point of view is a good thing, it means fewer screens have converted than what we forecast. But this range is really the range of assumptions that is embedded in our planning for the horizon.

So the impact of Digital on Film for our distribution films continues to be relatively small. You saw 8% of the screens worldwide. Color Prints then has a strong stable share. If you look at the fact that we really grew the Digital Screens from 7% penetration to 8% in 2008, and I told you that the number of screens went up by 2% worldwide, then see a dynamic that would say that you're holding your share position; your Color Print business would be fairly flat over that horizon.

So that's good news for us. And we continue to see Color Print to be a solid cash generator over this horizon.

Now from an origination point of view, you see a little bit of different story here, from a perspective that conversion to Digital is already farther along here. But you also see a shallower slope to this curve. And that's really driven by a phenomena that you have a much more segmented business in Origination. It's segmented by application. We have commercials, we have television and feature film, and it's also segmented by geography.

And so there are elements within these segments that in fact have pretty much totally converted to digital. If you think of television, reality programming is essentially all digital. And then you have other segments that are really essentially still pretty much fully film.

For example, the feature films that you see in the movie theaters. And so it's a result of what is a very segmented portion of the industry that really causes us to look and say that the adoption to digital is likely to be very measured as we look at the future.

Now, it's true that digital cameras are continuing to improve. But at the same time, there are also a number of workflow and data management issues that need to be worked out here. And I would say that as we look at the applications that demand quality and really put that at a premium film, it continues to be by far the dominant media in Origination.

So as we look at Entertainment Imaging business, the message I'd really like to leave you with is that we do a lot of work to be able to look at trends in the industry, triangulate a variety of different sources of data that we feel that we build a base case that are very tightly linked to industry estimates, fairly wide ranges around those, and have embedded the full breadth of those ranges into our planning model going forward. And with all of that, we continue to see this business as being a very solid, strong, profitable, cash generator over the horizon.

Now just a few comments about FPEG in total, so taking the broader look across our whole portfolio in terms of our cost structure and working hard to align that with our top line trends. Clearly, our top line will continue to decline. In 2009, we have that in at an estimated decline of 28%, so well within the model of 25% to 30% that we've been talking about. And we have to continue to drive toward a more variable cost model.

If we look at this, we have to be able to work to take costs out in line with the revenue decline as they come down. We work hard to make sure that we are utilizing our capacity, as efficiently as possible across the portfolio, to be able to leverage all of our products in the portfolio.

We're working hard to bring in tenants to a number of our manufacturing operations to help absorb costs for doing third-party business in a number of our areas outside of -- third-party business outside of Imaging. For example, we have an Imaging Chemicals business and various support businesses that can make products that play into other areas, all of which are focused at working hard to bring down our cost structure.

Continue to work hard at driving costs out of our go-to-market. And in particular, as we look at a number of the businesses that are declining more rapidly, we have to look carefully at who are the customers that, at the end of the day, are going to last in this business. And that's really where we want to focus. And we want to be able to win with those customers going forward, and be much more focused -- both in terms of our customer base as well as our key products.

So with all of that, it's all geared with really one objective in mind. And that is that we will continue to be a solid cash generator over this planning horizon.

With that, I'd like to introduce Phil Faraci. Phil is our President and our Chief Operating Officer.

Phil Faraci - *Eastman Kodak Company - President and COO*

Thanks, Mary Jane. I want to tee this up to one thing. I don't know if you picked one of these things up when you came in. This is actually a brochure on our Stream technology. Actually, we printed them off on Nexpresses, but it's a pretty good brochure. It gives a little bit more detail into it.

Obviously, this last year has been an incredible year. If you, as I thought back through the year and looked at it, in the first half of the year we're going through month-after-month of accelerating commodity prices. Going through the first half of the year we saw commodities in a number of our key products double. So 100% increases over the first six months of the year, for seven months of the year.

We saw the Euro to the dollar in July at 1.60, so we're sitting there looking at a very, very strong Euro. We're getting some tail wind if you will, associated with the Euro helping our growth in the first half of the year. And then all of a sudden, everything kind of reversed itself and switched very quickly.

Timing for us is obviously very difficult since the fourth quarter for us on the Consumer side is a very, very big business, so dramatic, if you will, shifts, very dynamic. And in dealing with those, all companies have basically struggled through that kind of current or changes in the overall economy. Now that said, we had a number of areas that actually we really feel very good about.

As we go through this planning horizon, we're maintaining our focus on really our core investments. We've had very strong traction on the Consumer Inkjet. We pulled back on it, just like we did on everything else as we saw the third and fourth quarter. And actually, we probably could have sold in a lot more products into the channel because sell-through remained very strong.

We actually had stores running out through the peak season. That obviously hurt us in terms of the total number that we could have done. But the consumer demand, and I think in sight of the times that we're in, customers need a reason for upgrading.

And in the case of our value proposition in Consumer Inkjet resonates very strongly with people that print a lot. And I'll give you a lot more data on that in a few more slides.

On the Commercial Inkjet side the -- as Antonio mentioned, at drupa, we had great reception. It was pretty much, Inkjet was pretty much the show at drupa and Kodak and Stream were pretty much the star of the show. We have a number of customers who have been, I don't know if I'd say they were bidding, but they really would like to be the first Stream concept press alpha site and we're trying to make that selection here in the next few months.

We have chosen the first alpha site for the component. So that will be going to a printer in Ohio. The reception for Stream - again, I couldn't say more about it. Please grab a brochure you can read more about it and understand the technology a little bit. And I'm going to go into more detail there in terms of the types of products, the target markets, what we expect from that business in terms of market opportunity and so on.

And then on the other enterprise, enterprise solutions side, or work flow on products that we extended that portfolio with two acquisitions in the early part of the year, in the April time frame. We acquired a small company called Intermate. That company gives us access to a key technology for dealing with data handoffs on digital data for transaction printing. It actually enables and helps the Stream product line as it goes into that market.

And then the second was the Design2Launchproducts, and we've had just tremendous reception from Enterprise customers who are now coming in acquiring the software and helping manage their campaigns through the commercial print space. So both have been very, very solid additions to the Enterprise Solutions.

We've got great teams across the board. Our production workflow stays the leading position and our Enterprise Management Solutions has started to get substantial traction as well. So overall our workflow portfolio is second to none in the industry and we feel pretty good about that.

If I, look at it. though, even though we have areas where we've got great growth, overall, the economic downturn hit us really hard. And the net result of that is that there are a number of areas that we need to focus, as we go through this next year, on operational improvements. It's really critical for us to monetize, if you will, rather than, and plan for if you will, a more difficult period. And it's very difficult to forecast as you probably know in other areas through this period.

So, things that we are doing over the planning period that are going to actually drive the SG&A savings, resulting in some of the downsizing and other activities that we've talked about is, we're going through an aggressively consolidating back-office operation. So, we did have Consumer, Commercial, even Film products groups , separated in many geographies with separate back office operations. That's something that's an area where we can cash in and optimize, we're significant reductions in the administrative costs. So a fair amount of overhead. And part of this is getting to common systems and so there are some difficulties in being able to do that. But obviously, it's an area where we're going after.

We're trying to preserve that last mile if you will, or the last foot, to where our customer interactions still very much go-to-market tied to the different customer segments. We've got some product and SKU simplifications that we hadn't attacked yet and it's hard to do that until you get to good platforms. And that's an area that we're focusing on through this next year, and we're also consolidating a lot of our equipment manufacturing.

So as we pull together -- and this is more true for the GCG side -- does have some impact on CDG on the dry lab, etcetera. But as we pull together, GCG we maintain independent, if you will, manufacturing operations. And we started to focus those in the third quarter to consolidate to low-cost manufacturing locations.

The bottom line of all these is that these are all ending up giving us more ability to focus on our core investments, and we think we'll enter 2010 in a stronger and earlier position. I'm going to now go through each of the two segments. I'm going to go through CDG first and I'm going to talk about each of the major product lines. The DC&D business, as Antonio mentioned, a very substantive business. It's a scale business for us in the Consumer side. It's a couple billion dollars in size. It's been a very, very solid cash generator.

It though, however, did suffer more than most, if you will, going through the fourth quarter. As we went into the third quarter we started to see the impacts of the high commodity prices, oil prices and consumer confidence dropping and we started to pull back on the volumes and supplies. But our fourth quarter is so large in this business ,we typically build ahead, order ahead -- staring in the third quarter for that four quarter seasonality. And the net result of all of this is we were pulling back as hard as we could.

And the DC&D business, though it struggled through last year, we hadn't put in place some of the assets for managing like currency fluctuations and things like that. And this business has been a very solid cash generator. We very much expect it to continue that and we see that very much getting back on, a small amount of growth. We do believe consumer confidence and consumer spending is going to have to go up at some point in time and until it does, this business is very, much tied, if you will, to consumer spending.

The next business is the Retail Photo Finishing or Retail Prints Solutions business. So we had a great introduction this last year of our dry labs. Our dry labs have become the leading, print technology in resale locations in Europe. In the US, there's still a substantive number of people that are still tied to mini lab and kiosk-only set of solutions. We expect the US to be converting more and more to dry labs as they go forward as well. And then Latin America and Asia will be turning over, later points in time.

There's modest growth in this business. It's not a big growth business for us but it's a very, very high percentage of annuities with the majority of the revenues being the after-market supplies associated with it. It's a great business. It's a great cash generator and we expect it to continue to yield that as we go through the period.

The Inkjet business I'm going to talk about in detail. I'm going to go through a few more slides and give you a bit more information. Update you on how we did relative to our range of goals last year. The Imaging Solutions business, or Imaging Solutions Sensors business, we've got great technology. We actually feel that we introduced leading edge CMOS technology from a performance standpoint. But in order to be able to get that into a scaled position, we have to make a change.

And so Antonio mentioned that we have to transform it. There are a range of options. We've actually been looking at this for a while and it's something that you'd expect from us to make a significant change in this business sometime through this next year. And then the gallery where we've been able to pretty much hold share, maybe lose a little bit of share.

We've been late in terms of bring out a next-generation platform. We also see ourselves not participating in an open system way to the rest of the imaging ecosystem, and we view that as problematic. We see that we have to transform that into a more open system. We have to be able to plug into all of the other sites.

If you watch us closely, you will have noticed that in the last quarter we actually enabled video downloads, where you actually -- you go to Gallery, you can upload a video. We actually upload it to YouTube. We identify a pointer inside of Gallery for YouTube.

So now you can take care of all of your photos as well as your digital videos, etcetera. And so we're starting to connect ourselves into the broader ecosystem and I think that's going to be really critical. We cannot take this asset and just go it alone as a captive source.

So I'm going to talk now about Consumer Inkjet. Consumer Inkjet, we've very much been staying consistent with that price premium position that we said we would do. We've been running between a 15% and 35% premium -- higher percentages you go to the lower price points. We, in general, would like to command on the order of, let's say $40 to $50 premium on a per-product basis.

The message really resonates in the current environment and the message really resonates with higher volume users. If you look at that, the way it manifests itself on the lower side of it is we typically have about a 2x connect rate to the higher burn customers. I'll show you a graph on what the distribution of customer printing behaviors is like in a minute.

We have about one-half of our cartridges are color cartridges. So we surrender about a one-to-one mix between black and white and color. And again, that's typically not so common in the industry. And we're at around eight cartridges a year -- slightly over -- which is, again, about 2x of the industry average, so substantive differences in terms of use.

It's all based on the, I like to repeat it even though we've said this before, it's really the winning value proposition. If you are a high-volume printer, if you actually print a lot, the payback on this is very significant.

We are attracting those higher volume printers. If you look at the graph on the right this is actually industry data, or the number of pages that are printed per year and then the number of customers that are in each of those groups, and so if you look at it 40% of the customers are printing about 80% of the pages. So there's a substantive group of people that are the primary users of printers.

And if you're in the other categories, if you're on the lower end of that where you don't print very much, it's probably not a very good idea for you to spend more for a printer to get lower priced, if you will, running costs. So we like to steer them towards somebody else, but, very much working for us.

And it's based on a number of capabilities that we've put into place -- our MEMS printhead, which is a key differentiator; our pigment-based inks which our very durable and permanent; the nanopartical technologies that are just really great. We have some specialty papers that bring -- provide great photo images, and then the color and image science.

If we look at the target model for this, the target model for this has not changed. It's very much still a 40% blended gross margin business when we get to scale. We have moved out the breakeven point out to 2011. So we do not believe that as we started to pull back and see more contraction in the market, see a slower upgrade rate from customers on upgrading their printers. We believe that pushes us out and delays us.

As I mentioned, in the third quarter we started pulling back pretty hard, towards the latter part of the third quarter and then the fourth quarter in terms of build plans and we probably overshot a bit because you're going to start seeing the customers yelling at us again for being out of supply or lack of availability. So a bit of an issue.

To put it into more detail so you can get a more complete picture, from a portfolio standpoint we went from 2007 in our entry launch set of products to our full set of consumer-based products. So we expanded the portfolio, we expanded some of the functionality, we added networking, and we added wireless capability.

If you look at us in 2009, you're going to see that continue. So we're going to continue to expand the portfolio and broaden the offering in terms of what we have.

So in 2007, it was about 520,000. We only sold in about 780 in 2008. Sell-through went from 320 to about 730. So our sell-through significantly outpace our sell-in, hence the reason that you see that we maybe pulled back a little to hard as we saw the economic downturn toward the latter part of the year. And our overall install base more than tripled. So we're in a very solid position.

That install base at eight cartridges a year, that's eight million cartridges. At $10 a cartridge, that's $80 million. At $15 a cartridge, that's $120 million. So it gives you a range of where the list price revenue will be for those.

As you know, the Cartridge business for us is very high-double-digit margins. So that obviously has a huge impact -- positive this year and positive going forward.

Over time, we need to get that install base to be about 5 million or 6 million. So at about the 5 million or 6 million point, we get to a position where we break even and from that point in time, expand in terms of profitability.

We've moved from distribution of US EAMER to where we added some select geographic accounts. We're really focusing on those accounts and focusing on sell-through with the accounts and focusing now more on traction as well as the profitability and success of hitting the target customer by account. But we're seeing pretty much across the board pretty solid positioning there.

This is a quick, just kind of a short clip on a video to give you some information on sort of how we do some of our marketing for this product. We have used infomercials. Infomercials not only have had a significant impact in terms of direct sales; they also have a very, very large impact on pull created into the accounts.

(Video Playing)

That's obviously a very short clip but it's giving a marketing message. That's a 30-second version. We've done everything from 30-second versions to two-minute versions to full 30-minute programs.

As we run these infomercials, the impact-in-store is directly visible within a couple of days. So this long-form messaging communication is really starting to change the consumer awareness.

Our view on this business is we have to raise awareness. Once they understand the value proposition, we'll raise it preference. Once we understand the preferences there, that will basically continue to drive, if you will, up the price premium that we can charge associated with the product.

For again, high-volume printers, this is a great value proposition. If you print 10 pages a week or 10 pages a month, if you print 10 pages a month, you should by somebody else's printer. It would be better for them and better for us. If you, on the other hand, are somebody that prints a fair amount, our value proposition is really phenomenal and we see it very much in the results.

I'm going to now go into the GCG portfolio so I'm going to switch gears here a bit. And on the GCG portfolio, I'm going to talk about Stream in a fair amount of detail as we get to the end. So I'm not going to spend too much time on it here.

The first business that we've got, which is the largest business, is the Prepress Solutions business. This is a business where we do digital plates and digital plates are the primary printing plate today for the printing industry -- all aspects of printing. Everything from package printing to newspaper printing to all forms of marketing collateral material, et cetera. And this business, I would say, saw the downturn in the economy for us first, and it was just maybe a little bit more difficult for us to recognize.

And we started seeing it, as Antonio mentioned, because we started seeing that our small $3 million to $5 million dollar printers started finding themselves having a difficult time with capital. They started seeing the downturn in the real estate and automotive sectors who are very big in terms of advertisers. And so they started having impacts on newspapers and they started having impacts on local circulars and everything else and so it was somewhat visible for us. It's just hard to pick up on what that meant, hard to pick up in terms of a forecasting methodology.

It's a great business for us. It's a solid cash generator. We have hedged aluminum a little bit through the year. We always hedge a portion, so that puts a little bit of a drag as we've seen aluminum prices go from $2,400 down to sub $1,400. But it's a great business; it's very financially solid. It's more predictable, if you will, and we very much expect that to continue as we go through the year.

Our second business, our Document Scanners business, is actually -- we know have our Document Scanners business also manages a number of our service activities. That services piece of it is a very strong annuity. The Document Scanner business for the production scanners, banking sectors are pretty tough.

Anyone that's in the transaction space where they're trying to retain information and dealing back and forth with paper, we have a very solid market share in that space. And then we also sell into the broad base of enterprises and what we call the Distributed Scanner business.

It, I think, is more tied to the economy, just like the Prepress business is. So both of those, as the economy goes up and down, you'll see those business follow.

We then get into the next three. And the first two were both core investments, Enterprise Solutions. I talked about that a few minutes earlier. Again, we have the leading workflow package, complete set of suite of solutions in the marketplace. We're very much the leader in this phase. We've got a great set of solutions for customers and it helps them optimize.

It also helps them as they migrate and change businesses. So as the commercial printer moves from purely commercial printing into where they're helping with campaigns or into a transaction type of a space it's very important for them to invest in the tools, to be able to manage that type of business. And that's one of the things that we offer.

Inkjet, I'm going to talk about in a few minutes. But the Enterprise Solution Space, as Antonio mentioned, we have a few hundred million dollar business here that is very solid in that high-speed, high-volume production color imaging. We have a toner technology which is very important. We have a lot of interest, if you will, from all players in the toner technology.

We make toner particles that are chemically produced and they're also porous. And the result of that is that you can get a lot more pages per pound, if you will, of toner. And the other result is that you can have a lot more size control and management control over the toner particles without having dust issues.

Most toner machines or most EP machines still use ground toners, and ground toners have a number of problems associated with them, and we basically solve those. The problem is that this total market's a $100 billion and a few hundred million dollars for us to go scale that and grow into side spaces or adjacencies. It's a very, very big investment and something that's not viable.

So we need to look at a transformational change there and we will be looking at what are the options in doing that -- whether it will be to focus it on a specific segment and stay small but more profitable or whether we partner or form some other form of alliance that allows us to expand more effectively.

Now for the Stream technology, and again, feel free to grab one of these brochures I'll show you one other thing, and this is actually a book that we printed on the Stream press. I only have a couple of them so I couldn't pass them out. We created a system working together with another company that can actually have paper coming into one end, finished books coming out the other, utilizing our Stream press. So it's called an Integrated Book Printing System, IBPS. It actually created this book and we created a few others as well.

We very much see that the whole solution needs to be part of the -- going forward. But if I look at Stream itself, it basically is the only technology that we've seen that delivers on all the aspects of the value proposition where you've got offset quality.

You've got through-put which is compatible or comparable to an offset class set of machines. It's cost-competitive with offset so it offers you running costs that are materially similar, if you will, to offset printing. Workflow, where you've got digital workflow capabilities so you can have the variable print and every page is different. And flexibility, in terms of the broad range of medias and applications for commercial printing.

More specifically, if I go into some of the key technologies, the smaller drops provide you the increased clarity associated with text printing. The higher resolution gives you the imaging capability so that you can compare well with offset class imaging. We've got Kodak inks which will have dye and pigment-based inks and if you get into the pigment-based inks you get the permanence and you get the durability and with the dye-based inks you get the lowest cost position.

And then we have color and workflow management for, again, matching colors across a broad range of activities. So with that, I'm going to have us now, actually, run a short video. This short video will actually show you a Stream press running full-time. Now at the drupa show, we had a Stream concept press running.

We ran it six or eight times every day for the two-week period of the show, and we never missed a show. It's very far along from a prototype standpoint. And as Antonio mentioned, we're scheduled to introduce this in the early part of 2010. And every time I do a review with the team, I continue to question, Why we can't pull that in a little more and what do we need to do to do that?

So this is a very important investment for us and our customers, again, are all in line to be the first to receive one.

Can you run the video?

(Video Playing)

Thanks. So again, we had this thing operating for, again, the two-week period at drupa. We now are running regularly on a daily basis. And we have been moving the number of hours that we can operate up. And so we have a targeted number of interventions or services that we believe are viable in the marketplace on a monthly basis. And we're trying to get over that hurdle with enough confidence that we can actually start having alpha sites go out and beta sites. So this is something that you'll be seeing coming out as we go through the year.

In terms of the application area for the Stream, or where is this going to fit, the obvious first fit and where we see it today is in this data print market. This is already predominantly converted to digital. So, if you look at transaction printing, sending you bills, sending you statements and sending you customized and personalized mailers, that market pretty much exists.

And what's starting to occur is that market is moving to more trans-promotional. So you're seeing more statements included with a bunch of other materials, advertising materials and marketing materials included, at the same time.

Printers would like to print those marketing materials at the same time they print the transaction statements. They, today, typically have a multiple workflows, and then they bring those products together at the end when the put them in an envelope. Stream will allow them to actually run that as a single operating unit.

Following that we see it going into commercial print - again, in the direct mail catalogs as well as the insert side. The books publishing, I gave you the example where we've been working with another company on creating an integrated book system. And we very much see this as a viable technology in the packaging. We think long-term that all packaging will end up converting to digital options as well.

So with that we -- looking at the longer period, if you will -- we see a conversion. Today, about one to two trillion out of the 74 trillion pages that are printed in the world are printed on digital printers of all forms. So today's total market for digital print from every company you know is in that one to two trillion pages in 2008.

By 2015, we believe that that will either go somewhere between double and triple, okay. So it will either go somewhere between three and four trillion pages that will be printed in that longer time frame. And we believe the key driver to that is Stream technology or other competitors that are also in that commercial print, inkjet print capability, where you're offering offset class printing capability. And that offset class printing capability makes it financially viable for a portion of these pages to convert over.

Now obviously, you still are going to have 70 trillion or so pages that are printed through traditional offset. So the plate business is going to take awhile to have Stream and other technologies materially affect it. On the other hand, when we come out with a Stream press, we're selling the press, we're selling the inks. We have various things that we're doing with the medias. We have service and support.

So the overall portion of that market that we basically will be participating in is dramatically larger than where we participate in that market today. Today, we purely are in that in the plate and plate center, as well as the workflow management software, which is a very small part of the total.

So it's a great business growth opportunity area, if you will.

If you look at our Solutions set we, as Antonio mentioned, we have our first Stream printhead which will be going in the -- I think what we said was by the third quarter or in the third quarter. Sometime over the next, let's say, six months, we ought to be getting our first Stream printhead putting into the alpha. And sometime by the beginning of next year, you'll see our first concept press. So this is a complete press where you've got paper coming in on one end and complete color output coming out the other side.

And it extends into new applications following that. So we have a whole series of applications that we plan on then focusing on.

If you look at the Stream Target business model, it's very different than the Consumer side or Consumer Inkjet business model. On the Consumer Inkjet business model, when you look at not the production cost of the product but the fully-loaded cost, you're basically in a very high -- first year for us was very, very expensive units and they dropped down dramatically. And as our volume goes up and as we get to tighter platforms, we get to a very low-loss, if you will, on a hardware basis, and then we make a whole bunch of money on the consumables.

In the case of the Stream technology, we make about 40%, 45% blended margin. But we actually make pretty close to that in each of the three segments. So whether you look at the hardware side, the consumable side or the service side, these are all very good gross margins.

The installations -- these are, on the full press, these are multi-million dollar machines. So these are not inexpensive decisions or choices for folks. And then the net result of that will be an operating expense structure that allows a 12% to 15% operating earnings.

I will now play another short video. This is one of the commercial print, experts. He's a professor of graphics at RIT and this is just a couple of comments from his perspective on Stream.

(Video Playing)

Thanks. So I wanted to give you that perspective. He goes through and reviews all the different companies, all the different technologies, and where people are position-wise. He's a very big Stream advocate, obviously, or I wouldn't have put him on the video. But again, his rational for that is a very simple set of inks.

When you get to, you look at something like EP where you're at $0.01 to $0.10 per page depending upon the volumes, and then you move over into the class of inkjet where you can be a tenth of a cent per page, in terms of price point, and you then go into volumes of printings that have trillions or have billions in them, the economic driver there is just so clear. Ink is just a much lower cost printing material. So that's the primary driver.

If I want to let you walk away with a few messages, I want to make sure these are real clear. One is, we're tightly focusing our investments. So in each of our product lines, not only do we have a portfolio of products of the Company, but as you go from the Company into each of the segments, and as you go from each segment into each product line, each product line goes through and they have a set of things that they're investing in.

They have a set of areas that they're generating returns this year, generating returns next year or maybe investing on something for three years or four years from now. This is a very common thing in any business.

We're very much going through it on a product-line-by-product-line, segment-by-segment-basis, going through it and saying if it's not a Consumer Inkjet, Stream and Workflow, it's not a core investment and we're putting in, if you will, tighter controls or constraints on making sure the return on those, if you will, is shorter term.

The second is we have key technology that's really resonating with customers in spite of the challenged economy. When we talk to customers in the commercial print space, if they're looking at digital print, typically their first question is, "When is Stream going to be available and when can I get one?"

I have a pretty long list of customers who have called me directly lobbying for being the first receiver of a Stream Concept Press. So we very much see the technologies that are, again, resonating.

Seeing twice the burn rate on the consumer side and seeing us not actually drop off much in the way of demand at all, even through the fourth quarter, it basically told us that, again, on the Consumer inkjet side, we already knew this but it just reinforces that it really resonates even more on a challenged economy, it was resonating before.

So you'll see us continue to double year-over-year, our Consumer Inkjet product side; and on the commercial side, you'll see the Stream coming out as we go through this next year. But on the other hand, 2009 is very hard to forecast. It makes you feel really incapable when you start finding yourself missing forecasts on a regular basis, product-line-by-product-line.

The overall economic situation is one where we're staying cautious. We're going to be under very tight constraints, and we really are going to go through and force those aggregation points and consolidate all areas we possibly can to try and improve the earnings.

So, with that I'm going to turn it over to Frank Sklarsky.

Frank Sklarsky - *Eastman Kodak Company - CFO & EVO*

Thanks. Today we're going to talk about a very brief recap the 2008 results, talk about our 2009 priorities -- how we are planning to align the company around external economic realities.

We're also going to talk a little bit about our financial strength and why we are very comfortable with our financial position right now going into 2009. And our ability to fund our core growth strategy, and then we'll take a look at the target business model over the next three years and our outlook.

So briefly recapping 2008. Revenue is down about $900 billion to $9.4 billion. Gross margins dipped a bit, from the prior year. SG&A held to basically flat for the year even on the revenue decline, evidencing our strong efforts around reducing the overall cost structure.

Our R&D actually increased as a percent of revenue. And Phil really referred to it on a core investments that we're making particularly on Stream. And then segment earnings are modestly above the breakeven level. So what really caused all that?

You heard all three of my colleagues talk about the market declines, external economic environment. That was truly an impact on Kodak as well as everybody else, particularly in the fourth quarter and most notably, November and December. But it did start, really, during the third quarter.

We had negative price mix impacts. We had a really volatile set of commodity costs and currency fluctuations during the year. On the other hand, a very successful effort at reducing SG&A costs. And as you've heard from our announcements last week, we're intensifying those efforts.

Also, took some action about a year ago around post-retirement benefit costs, and those will increasingly have a beneficial impact on our go-forward financial performance. And we'll talk a little bit about that when we get to the cash slide.

Also, we did benefit from lengthening asset useful lives, not only a benefit from an accounting standpoint but evidence of the resilience of that traditional business that Mary Jane talked about. And we're very comfortable with that, continue to be comfortable with that, and held our improved market positions in all of our key products.

So despite the down draft in our external economic environment, we're actually very pleased about how we stand vis a vis the competition in terms of maintaining or improving our market positions. So the rapid second half down-turn in the external environment had an impact on the early performance. But we think strategically, we're set up very well entering into 2009 and for the planning period.

Cash usage for 2008 -- cash was a little bit below break even before dividends for 2008. The primary impacts over the year-over-year change, and of course it was positive before dividends and restructuring, but the primary impacts for the revenue declines driven by the external environment, gross profit declines. What I want to emphasize here is when the overall economic environment deflates a little bit we do see a lot of intensified competition around pricing. That's just natural during a recessionary period.

In addition to that customers, while many of them still buy our products, customers will look for lower price points, and that impacts the product mix. That, along with the commodity cost pressures, particularly in the first half of the year, did impact our gross margins.

We had lower cash from intellectual property arrangements. Some of this was timing of deals, and some of it was actually the timing of the cash as compared to the timing of the P&L affect on deals that we did close. And we referenced that in our earnings call -- that we would be getting some cash associated with some 2008 deals in 2009. So that was an impact there as compared to the prior year.

And of course, we had some lower proceeds that we had originally planned from asset sales due to the credit environment and that should swing the other way in '09. We'll talk a little bit about that later.

We didn't make continued progress on working capital. We're actually very pleased with the efforts going on. The team is really hitting their stride around managing accounts receivable, past dues, accounts payable, getting our payable terms more in line with our peer group, and really maintaining a lean supply chain and keeping inventories at a very prudent level in this particular environment.

Continued discipline over capital spending came down in 2008, expected to come down a little bit more in 2009 as we get over the hump on some key investments. And then lowering restructuring payments in '08 versus '07. And at the end of the day, and December 31, we maintain a very strong cash position with more than $2.1 billion in cash.

For 2009, let's look forward. Our priorities for this year, as Antonio pointed out, we're aligning our cost structure with the external economic realities and aligning the cross structure with what we believe is a very prudent revenue forecast.

We're funding three core investments -- Consumer Inkjet, Stream, and Workflow. We think that's a right place to focus our efforts and focus our investments over the planning period as these represent really outstanding opportunities for a sustainable, profitable growth including annuities and consumables businesses.

And then transforming the portfolio, there is a portion of our portfolio that we do have to transform and we'll be undergoing those efforts beginning this year, and then driving positive cash flow before dividends and restructurings. So a maniacal focus on cash and maintaining a solid balance sheet.

The key assumptions we're working under, a weak economic climate will continue well into 2009. But we'll be ready to grow when the market recovers; and obviously, holding and improving our market positions will enable us to do that.

I will point out that the first half is likely to be unfavorable from a year-over-year comparison on a seasonally adjusted basis. Last year was pretty strong in the first half in terms of our Digital revenue growth and as things started to unwind a little bit towards the latter part of the year, we do see that continuing in the first part of the year. So when you look at how things phase throughout the year, weaker in the first half and projecting some recovery in the second half, modest as it may be, but that first half is where the toughest compares will be as we go into '09.

Cost reduction actions are already in process -- a majority completed by the first half of '09 -- and I think you saw the G&A percentages as percent of revenue in the fourth quarter. This is not something that just started with the earnings call last week.

There has been a lot of plans under way on the second half of 2008. We first referenced our intensified efforts around this when we were on our third quarter earnings call.

We've put a lot of plans in place and booked some charges, particularly in the fourth quarter of the year. So these plans are well under way and well under execution, and we'll be moving as quickly as we possibly can to align that cost structure with the external realities as quickly as possible.

Exchange rate volatility -- that's expected to continue. We watch these things a few times a day, and you can see things still rolling around quite a bit between the dollar, the Euro, and the Yen, and the Pound, and it will continue to whipsaw things just a little bit. It's a little bit more stabilized within a range lately.

But we expect some volatility, particularly based upon the fact that all these various countries are implementing stimulus packages and depending upon what central bank and what country does what, it whipsaws the rates a bit. So we'll be watchful of that.

Commodity prices have recently moderated. That's good news. Phil ordered to the fact that we have some hedges in place so we're likely to see more of the benefit in the back half of the year than in the first half of the year.

Financial summary -- we expect revenue to be between $7.7 billion and $8.3 billion for the year. We think this is a prudent estimate. And targeting for gross margins to get to the level that they did for 2008.

SG&A actually, even with the reduction in revenue, bringing down SG&A as a percent of revenue even more during the year. So when you think about the absolute dollars, if you run the numbers here from the chart, the absolute dollars of SG&A will be coming down pretty dramatically and that's the effort that we're embarked on as we speak.

R&D lowers the percent of revenue but I would point out that it's because we are targeting that R&D in those three areas -- Stream, Inkjet, and Workflow -- and really focusing those efforts. And some of those areas will get actually more R&D than they did in previous years. So the good news with focus, you can target the dollars more directly where they're going to have the most impact and then other areas will receive fewer dollars.

Segment earnings then are targeted for a bit of an improvement for 2009 overall. So the cost structures planned around, really a prudent revenue forecast and earnings improvement driven by a better mix, and by the cost reduction activity.

And the main impacts on gross profit and trying to get that to where it was in 2008 with everything else that's going on and with the reduction in revenue and weak global demand. We do expect that to continue to be a negative impact, particularly in the first part of the year.

But product portfolio and mix management, as we emphasize products that have better net price realization, as we get more annuities as some of these things go through the development cycle, as Inkjet places more units and we start to see that gradual shift from hardware to consumables, all those things are expected to be a net sight positive to the margin for the year.

A bigger impact from manufacturing and purchasing productivity, working very aggressively with our supply base. One example I would give is, a lot of our suppliers incur energy costs, which were very high in 2008, and they have come down precipitously in 2009. They process things for us.

They do a lot of things that are energy-intensive. We know they're benefiting from that and we intend to get a piece of that and we're pursuing that very aggressively. So it's purchasing, it's manufacturing productivity, and again, toward the back half of the year, start experiencing some benefits from raw material costs.

And then currency volatility -- continue to monitor that but it will be something that is going to continue to wobble around a little bit throughout the year. Just wanted to give a little more transparency around the restructuring summary. I think if you were to listen to all the releases and look at all the documents, you could probably find these numbers but we want to put it all in one place.

Restructuring charges for '08, $149 million, two-thirds of that was in the fourth quarter. And then corporate cash payments, including the payments associated with actions taken in the prior year, were $143 million. For 2009, we're stepping that up consistent with what we said last week. So the total charges will be between $250 million and $300 million. And these charges are really a spanned activity that's going around globally, in virtually every region of the world, in virtually every activity and function in most businesses. So this is a very wide-ranging activity.

The corporate cash payments, again, including the payments associated with actions that we took in '08 and particularly fourth quarter, will be $225 to $275 million. So that numbers a little bit higher than what you saw in the Form-8K last week. That's because we've got about a third of that money going towards payments for actions that we took late in '08.

And then we expect a little bit of spill over into 2010, but nothing material and really minimal charges. We want to get this done this year and as early as we possibly can this year so no hangover on the P&L next year and very minimal hangover on the corporate cash payments.

So when you look at the Q4 2008 rationalization and the 2009 program that we announced last week, we're looking at a total of about 3,500 to 4,500 global positions coming out during 2009 and annual savings of $300 to $350 million for a pretty quick payback. And we're going to book as much of that savings as we can this year. We're expecting at least 50% of that savings on $300 million to $350 million this year. But you'll see that reflected in the model that I will show you for 2009. And here it is.

On the Digital, traditional, and total, the revenue change for the Digital, again, we think these are prudent revenue estimates, a little bit more of a dip in the first half and a little bit less of a dip in the second half, but we get a little bit of a modest uptick in the economy. But on the Digital side -- 6% to 12% decline. On the traditional side, 25% to 30% decline. And then weighted average for the company overall, 12% to 18% decline. And that gives you that 7.7% to 8.3% total revenue for the year.

From a gross margin perspective, 23% to 24% on the CDG and GCG, 21% for FPEG, and then the 22% to 23% in total.

And the SG&A as we spoke before, it's 16% to 17% for the total company. A little higher on the Digital side, a little lower on the traditional side, but everybody actually taking the absolute dollars of cost down.

And then R&D, very, very light on the traditional side. We'll continue to put some money behind the Entertainment Film business. But most of the R&D money going toward the Digital side as we really work very, very hard to get Stream out as quickly as we possibly can early in 2010.

Segment earnings hovering around breakeven for the Digital side, mid-single digits on the traditional side to give as a weighted average above breakeven 0 to 2% overall for the total company.

So if you'll look at our overall financial target highlights for the year again, 7.7% to 8.3% in revenue, segment earnings at 0 to 2% translating somewhere between zero and $200 million in segment earnings. That translates into negative $400 million to negative $200 million in the GAAP measure, the GAAP loss from continuing operations.

The difference between the segment earnings and that GAAP number is really your restructuring charges, your interest and interest expense, and taxes. Then if you add back our interest of $60 million or so; taxes of $60 million to $90 million, which I'll show on a subsequent slide; and depreciate and amortization of $475 million, you get to an EBITDA of about $200 million to $400 million after restructuring; and then EBITDA before restructuring, about $475 million to $675 million.

Cash generation, which I'll go through in more detail in a second -- cash generation about $75 million to $325 million before dividends and restructuring.

The operating plan -- again, just to walk you down from the segment earnings to the GAAP number -- segment of zero to $200 million, other income and expense basically washing out at about $10 million, the restructuring which we talked about a $250 to $300 million of charges to the P&L, and then net interest expense of about $60 million, income taxes of about $60 million to $90 million to the P&L and giving you that GAAP loss of $200 to $400 million.

And for modeling purposes, our ending share account at the end of 2008 was about 268 million shares. That excludes the convertibles securities.

Taxes -- effective tax rate for the income statement, changes in our valuation allowances in the various jurisdictions around the world, we wobble around the P&L from year-to-year and from quarter-to-quarter and so we expect that variation. But the tax provision, generally to the P&L, we expect that to be $60 million to $90 million to the P&L for 2009.

Cash taxes -- cash tax is approximately $100 million to $120 million for modeling for the cash flow statement, and there are no taxes due on any limousines, or nannies, or anything like that, so we're good to go with these numbers.

Really, '09, a very intense focus on cash. We really want to emphasize that. It's the most important metric, particularly in the current environment. And I think you can see generating almost $500 million in cash in the fourth quarter. We just have the entire organization mobilized around keeping a strong cash balance and a solid balance sheet.

We're planning on improved segment earnings, continued improvements in working capital. My opinion is there's always ways to improve working capital operationally and with the treasury function and so on and so forth, so we'll keep working on that.

A strict discipline over capital spending. Again, it's coming down again in 2009, probably by about another $25 million to $30 million. We do expect some incremental proceeds from asset sales because we have -- and that's mainly coming from some real estate holdings that we have globally. And so we're optimistic about being able to get those done actually.

And then continued intellectual property licensing. The other thing that's going on with cash is in '08, we had some significant performance-based compensation payments to our employee base worldwide, and that obviously is significantly lower in 2009, based on our announcements last week not to pay any performance-based compensation variable pay.

So there are a number of moving pieces that give us confidence around our cash plan for the year. And here it is.

So we'll start out with the same metric you saw on the previous slide - - the GAAP loss from continuing operations minus $200 to $400 million; add back the depreciation and amort of $475 million; working capital improvement of another $100 million; the restructuring payments out of corporate cash that we talked about of $225 million to $275 million, including the carryover from the prior year; and the net impact of adding back the restructuring charges and some net pension and OPEB payments, basically a wash; CapEx of $225 million, which is again, $25 million to $30 million below '08; and proceeds from asset sales, primarily from some real estate holdings of $150 million.

That gets us to a cash generation before dividends, after restructuring, of minus $200 million to positive $100 million, and that number that you saw previously -- the cash generation before dividends and before restructuring of $75 million to $325 million -- basically adding back that mid-point of $250 million of the restructuring.

The other thing that we wanted to mention, the debt maturity schedule. This is all publicly available obviously, but what it shows is that we've got no significant maturities in 2009 so where as we paid about $300 million of debt in 2008. So nothing in '09. In '10 we've got some debt that's due in 2033, but the first put-call date is October of 2010. That is within our cash planning that we're working with for 2010 and so we're very comfortable with that. And then no other maturities of a significant nature until 2013 and thereafter. So a very manageable debt portfolio here.

And just to emphasize, we started the year with over $2.1 billion in cash. We plan to generate, before restructuring and dividends, $75 million to $325 million; and then our allocation, restructuring of $225 million to $275 million; dividends of $135 million, debt maturities of about $50 million this year, that's all; and then even if you take out the target cash balance that helps us get through our seasonality, even after that, it's $760 million to $1060 million cash cushion providing flexibility.

So you've got the target cash, the billion plus the $760 million to $1060 million at the end of the year 2009. So very, very comfortable with our net cash position now, and we'll be very comfortable with it at the end of 2009.

And a couple other things that I wanted to point out. We've got a lot of questions around our pension portfolio. Our largest pension plan, which is the US Pension Plan, is not only fully funded, it has several hundred million of excess funding. It's obviously lower amount of excess funding than it was a year ago, as is everyone else's, but it's still amply funded and over funded.

And all of our other plans around the world, while they're not all fully funded, they all have ample assets to discharge all their obligations and all the benefit payments. So we're very comfortable with where our worldwide pension portfolios stand right now. I just wanted to point that out.

The other thing, because we've gotten questions about a disclosure we made about the revolver last week. One thing you've got to keep in mind about the revolver is that the agreement that was put in place that we're operating under right now, that we're in full compliance with right now is that that was put in place a few years back when the Company had nowhere near as attractive a net cash position as we do now.

We are doing the very prudent thing in getting ahead of the game and looking out on the horizon in terms of what we see for the first part of the year. And we're very confident that we're going to reach a satisfactory resolution with our lead agent and our bank groups around getting and maintaining full access to our revolving credit agreement.

The size of that has not been totally resolved yet. It may not be as large as the one that we have now. We don't think -- we may not think we need one as large as what we have now, and we certainly don't have any plans to draw down on our revolver any time in the near future based on our projections.

So again, we feel very comfortable with the negotiations we're having with our bank group. We feel very comfortable with our pension portfolios. We feel really comfortable with our strong cash position and our solid balance sheet. And we've got a maniacal focus around it. So that's where we stand right now.

Let's look at the target business model for the planning period. And here are the assumptions for that. Digital Capturing Devices, as Phil pointed out, a modest growth for the period. And obviously, this takes into account both the Digital devices and cameras as well as Intellectual Property Licensing.

Consumer Inkjet -- achieving the targeted install base with a high mix of consumables by the time that we get to the end of the planning period. Retail System Solutions -- maintaining a leadership position in Kiosks and Dry Lab as we have today and enhancing that net leadership position and having stable margins through a very high mix of consumables.

On the GCG side, Prepress Solutions -- a simplified cost structure. We talked about SKU reductions, simplifying the business, simplifying the supply chain on the global market. So that's going to assist margins over time. A more stable commodity environment over the next couple of years, we hope, and then thereby leading to improved margins. But this is a business we also have a leadership position in. It's a strong profit generator and we expect to continue and strengthen our market position and enhance profitability.

Stream -- early 2010 intro, a fast ramp-up, and achieve breakeven in 2012. As Phil pointed out, this is a great business model because you make money on the equipment, you make money on the service, you make money on the consumables. It's a unique value proposition, it's a unique technology to Kodak. We've got customers knocking on our door wanting to be the first one in line. So very optimistic about Stream.

Enterprise Solutions -- all about driving scale and then getting integrated solutions between the workflow and the Digital Equipment portfolio and even Prepress. Increasingly, as the potential for commercial printing industry to consolidate, people are looking for hybrid solutions, for blended solutions. That plays right into our strengths of having a whole suite of offerings between offset, digital print, and workflow.

FPEG -- Entertainment imaging, as Mary Jane pointed out, modest revenue declines although, and more modest than what we thought a year ago, and offset by cost reduction, and this will maintain attractive profitability and cash flow throughout the planning period and the traditional Photofinishing business, including paper, continued modest cash generator through the period.

So those are the assumptions, and if you look at what our financial projections are and our growth projections, from revenue standpoint, the three-year CAGER, and it's '09 -- the totals like four years -- three year CAGER '09 to '10, '10 to '11, '11 to '12, 4% in total for the company driven by 8% to 10% on the Digital side, and then a minus 12% to 14% on the FPEG side.

Okay, so why is FPEG a lower percentage than what we experienced this year? It's because as we go though time and consumer film makes up a smaller part of the portfolio and Entertainment Imaging makes up an even larger proportion share of the portfolio where the decline rates are less, the arithmetic works out that 12% to 14% we think is a very, very realistic decline rate for FPEG in total.

So the overall business model which this will result in by 2012 is a revenue base of about $7.4 million to $7.8 million for Digital, about $1.3 to $1.5 million for traditional, and about $8.7 million to $9.3 million in total.

Gross margin in the high 20s for Digital, low 20s for traditional, and when you mix it all out based on the fact that by that point in time is being much more proportion of Digital revenue than traditional, you still mix out at about 27% to 28% gross margin by the time that you get to 2012.

SG&A continued efficiencies so we will not only take the absolute dollars down. But as we go through time over the next three years, when the economy recovers and we get a little bit of updraft on the revenue, we'll get a little bit of absorption benefit on the SG&A side scaling a benefit leverage.

R&D holdings study about 5% overall -- much higher on the Digital side and obviously much lower on the traditional side to give us some segment earnings in the high single digits by the end of the planning period, really targeting that 8% level by 2012, driven by a little bit higher percentage on the Digital side and 6% to 8% on the traditional side.

So here's the model that Antonio showed, and I'll just point out that the height of the bars represents the magnitude of the revenue base in each of the years. So what jumps out at you here is that by the end of the planning period, we will have grown. We're going to continue to grow, particularly on the Digital side. And because of the focus, because of the portion of the portfolio that we intend to transform, we might be a little bit lower in terms of total revenue than we were in 2007. But we're still going to grow and we're going to be much more profitable.

So the model is focus. It's having extreme discipline over costs. It's put our investments where we think we'll have the best probability of having a sustainable profit growth model, and it's having a revenue that hovers around that $9 billion size by 2012 but with a very attractive bottom line, high single-digit EFO margin.

So the key takeaways are, we're obviously in an unprecedented economic environment, and that's impacted us in the latter half of last year and will clearly impact us in the first half of this year.

Improved profitability over time will be driven by a better mix, higher annuities, and lower costs. We're tightly focusing our investments in our core portfolio and we are very, very pleased with our strong cash position and the solid balance sheet and the flexibility it provides us.

So that wraps up our formal remarks and now I'll be happy to have colleagues join us up here on the stage and take your questions. Thanks.

QUESTIONS AND ANSWERS

Ann McCorvey - *Eastman Kodak Company - Director IR and VP*

Thanks, everyone, for your attention. While the speakers are getting set in their chairs, I want to remind you that this meeting is being Webcast so that as the microphones are passed to you, we ask that you begin by stating your name and your firm so that those people listening in on the webcast can have a sense of what's going on in the room. We appreciate that.

We'll have microphones, as I said, floating around. If you'll simply raise your hand we'll have someone from our team bring them to you. And as we did last year, in the interest of making sure that everyone gets an opportunity to get through their question, we'll ask that you begin your questioning with a question and a follow-up question and we will surely come back to you as time allows to make sure we get everybody's questions in.

And I want to do one more housekeeping thing before we begin the Q&A. At the end of the Q&A session, we will be holding a session for the media, and the media will be repositioning cameras and stuff up front. So we ask that you exit to the lobby and pick up a gift bag that we have waiting for you.

So with that, I'm going to start Q&A.

Ulysses Yannas - *Buckman, Buckman & Reid*

Hi, Ulysses Yannas, Buckman, Buckman & Reid. Two very fast questions. You had expected to ship over a million units of the Inkjet Printer last year. You ended up with about 450,000, I believe. Does that mean -- how could you have had a very strong fourth quarter on this basis?

Phil Faraci - *Eastman Kodak Company - President and COO*

Let me take that one. We actually expected to double sale-thru and also double sale-in. Sale-in, we expected to get to a million units. Sell-thru, we expected to do more than 650,000 units. We actually sold-thru 780,000, so we more than doubled sale-thru. So this actually is where customers buy units and walk out the store.

But our channel inventory dropped dramatically. We did not end up the year with nearly as many units in the channel as we had targeted. So that's actually where we had the drop off.

Ulysses Yannas - *Buckman, Buckman & Reid*

Another tiny question. In terms of write-off and goodwill that you had at year-end, now that you've exited your photofinishing business, you have $600 million or something. You have to write off the whole thing don't you? Are you planning on eliminating total goodwill?

Frank Sklarsky - *Eastman Kodak Company - CFO & EVO*

Any write-offs associated with the Qualex business again, it's not the total photofinishing business but the central lab operations, the Qualex is the piece we're exiting. That is a very modest amount of write off. The goodwill is mostly associated with GCG, which carries most of the goodwill of the company based on recent acquisitions. And so as we go through the analysis over the next few weeks, we will be looking at what the total amount of write-off will be for that. But that's the area that we'll write-off.

Ann McCorvey - *Eastman Kodak Company - Director IR and VP*

Michael?

Michael Ellman - *Mayo Capital Partners*

Thank you. Michael Ellman, Mayo Capital Partners. You've projected for 2009 a revenue decline of minus 12% to minus 18%. What is the penalty from currency translation embedded in those assumptions?

Frank Sklarsky - *Eastman Kodak Company - CFO & EVO*

As opposed to characterizing it as a penalty from currency, we have put our assumptions together for the planning for '09 which roughly mirrors current conditions. So our final planning assumptions are about the same as where you see the rates today.

Shannon Cross - *Cross Research*

Thank you. Shannon Cross, Cross Research. Antonio, can you talk a bit about the business that you're looking at, that third group, the non-core, the ones that, I don't want to say divest, but you're looking at other alternatives for --.

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

You did say that.

Shannon Cross - *Cross Research*

Well, you didn't, so I just didn't want to put a word in your mouth. But from that standpoint, I think it's important that we sort of think about how much investment would be required on your part from a partnership. How much are you really looking at partnering these or more looking at the ability to make asset sales and maybe bring in some more cash?

I'm not sure where you stand right now, but in terms of NExpress and I guess it would be effectively the DigiMaster business, selling it to someone else. How do you sort of think about some of those businesses?

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

It looks like you are answering your question, Shannon, as you always have. No, the plans we have is what we have over there. We're not, at this point in time, we're not trying to divest those businesses. We have been in conversations since mid-year last year.

Obviously, we could see that the third quarter was going to be like that and we could see -- and we made the announcement that we were going to lower dramatically manufacturing volumes. We started to think, so what else can we do to lower investment? We won't be able to afford this level of investment in start of '09.

So we -- obviously, we know the industry world. We know all the partners that will have interest in collaborating with us. That's all we're doing now. Now when you're doing these things, you have to do an evaluation of the business at the same time. If you're trying to do some kind of a partnership, you have to make an evaluation of your business to sit down and see how -- but we're not thinking at this point of time of divesting any of those businesses.

We think that the better return will be if we can combine them or form an alliance or find a way to continue to be in those businesses without carrying all of the investment and all the investment and all the risk that we will have to do otherwise.

Gurdal Shaw - *Davidson Kepner - Analyst*

Hi. Gurdal Shaw from Davidson Kepner. I was wondering if you could provide some detail on the cash flow from IP in 2009, and how this looks like going all the way to 2012.

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

We do have a funnel of deals. It is a large funnel of deals that we keep saying what we said last year and the year before and the year before. We believe -- we're plus or minus that we will be between $250 million to $350 million average every year for the whole period. And it's a combination of things.

Not all the deals are the same and some deals are one time and some deals, they come in different ways. Some deals you get earnings this year and the cash the year after. Really it's a combination of things. But when you put it all together we feel very confident in the $250 million to $350 million asset average every year for that period that we just presented.

Mike Feinstein - *Gagnon Securities - Analyst*

Mike Feinstein, Gagnon Securities. I think this is a question mostly for Frank and Antonio and it relates to the cash flow. Have you given any thought to buying in your convertibles debentures this year so as to take advantage of the discount that they trade at? Currently that could yield between $75 and $90 million of additional cash flow to the company if you were able to acquire them at the current prices.

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

We are very well aware and we're watching this very careful. We haven't made any decisions.

Mike Feinstein - *Gagnon Securities - Analyst*

I have a follow-up question -- how likely is it that the dividend will remain at its current level in 2009?

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

This is a Board decision. The Board has not made any move. We feel comfortable with the cash position we have as we presented today. This is a Board decision and nothing that I've heard from the board would indicate any change. So there's no news.

Ulysses Yannas - *Buckman, Buckman & Reid*

Antonio, this is a company, as I remember it always that was very heavy in manufacturing. Can we look at the Company these days as a company that's essentially based on the intellectual property and marketing rather than a manufacturing company?

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

I think I will have to go business-by-business. If you go into CDG, you could argue that it's a very, very asset light. And a lot of the value added in the consumers base by design, by the way, was IP, our design capability, our know how, our brand.

We still do manufacturing but we do base the value added more in those sort of elements and GCG we have significant manufacturing, places of very significant manufacturing business worldwide. We still have -- there is a lot of IP again. The way I look at the Company is really, this is a company that I don't know any other companies as good as this company as far as the understanding and the IP in those two areas.

Materials science and digital imaging science and what we're trying to find is a competitive advantage right in the middle of those. In areas - given in both areas. And we pick products and we actually looked at what kind of competitors we're going to have, that they might be very good at one and not so good at the other one.

And that's how we pick those. I wouldn't go the way you go, although we do a lot less manufacturing than we used to do in the past of course, if you compare this with the old Kodak I guess, old and --.

Unidentified Audience Member

(Inaudible question - microphone inaccessible)

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

It's very different from that company, of course. And I think in the areas in which we are participating, most of our competitors will be similar to us with the exception of some Japanese companies; they are very integrated. I think most of the other competitors will be similar to us.

Ann McCorvey - *Eastman Kodak Company - Director IR and VP*

Shannon?

Shannon Cross - *Cross Research*

I had a question on the Inkjet business, the Consumer Inkjet business. You've got about a million of an installed base at this point in time. You need to get to five or six million I think for breakeven. I think it's fair to say that the Inkjet market is -- consumer market is tough all over right now.

I guess I'm somewhat struggling with how you will get to the five to six million installed base by 2011 because it would require a pretty big ramp-up plus you've got some retirements coming, I would assume. So maybe if you could give us an idea of an expansion, a product lineup expansion and channels, maybe still, how you are comfortable with the ability to reach those kind of levels?

Phil Faraci - *Eastman Kodak Company - President and COO*

Sure. As I mentioned, our expectation is to double again in 2009. You're retirement point is an accurate point. Typically, people retire in the three/four year time line. Right now, I think in the current environment people are retiring at a slower rate.

I think that's why you saw such a drop off in the market. We didn't see it simply because we're small and again, value proposition really resonates. But we very much expect to double our install base this year. If we double our install base this year and we double our install base again next year, we're at the five million plus units. So I don't see that as so difficult to understand.

Unidentified Audience Member

(Inaudible question - microphone inaccessible)

Phil Faraci - *Eastman Kodak Company - President and COO*

We actually are growing partly limited by what we're capable of bringing out as much as we are a channel expansion. So in the channels that we're in, our sell through is still very modest relative to what we believe we can do.

So first of all, I think that we need to make sure that we do that very well. And then we have substance of channel expansion capabilities. We're in two countries in Europe, in the US, and in one country in Asia. And we have one distributor in Latin America. So we really do not have an expansion, if you will, in terms of channels.

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

We do have an expansion of new platforms this year that I did say before. So we will have bigger customer segments that we are going to address, too.

Shannon Cross - *Cross Research*

What's your thought on the Dell relationship and how much does that play into your belief that you can grow units?

Phil Faraci - *Eastman Kodak Company - President and COO*

We think Dell fits well for us for a niche, if you will, or a small segment. Over time that may end up becoming more aligned or not. We think that Dell's a viable direct channel for us. So we don't have any -- we view them as beneficial but we don't view them as critical or anything along those lines.

Joan Lappin - *Gramercy Capital - Analyst*

Joan Lappin, Gramercy Capital. I guess that since you reported the other day, I've just been mulling this over and I'm not sure I quite understand how two-thirds of the book value got erased last week. That's number one. So that before, if we were looking at you as a value proposition, selling below your book, nice dividend, and eventually you get the thing moving in the right direction of the economy, we lost that underpinning as investors.

And also, in regard to the earlier question here about going asset light and trying to take the risk out of everything, when you joint venture and you take the risk away, you also take away a lot of the profit potential because you're sharing that with whoever is taking the risk.

So I want to understand what your vision is for the next, say, five years. If it's just to make -- if it's just to sell consumables and kind of limp along and slowly we'll get better and we're cutting back our houring -- this is a very long question, I'm sorry, but it goes to the heart of really why I think everybody's here today. OLED isn't on the list of investment stuff. The Camera Phones wasn't on that list, which I asked you about last week of where you're putting your R&D dollars now.

So it there had been a road map that the second half of '09, we're going to be selling sensors for phones. And in 2010, we're going to start making a real nice profit on the printers; and then in 2012, we're going to get OLED. I don't know what's happened to all that now as you have to pull back and retrench and figure out what you're new model is?

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

Joan, I don't want to sound disrespectful but when did you come into the meeting today?

Joan Lappin - *Gramercy Capital - Analyst*

(Inaudible answer - microphone inaccessible)

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

I thought we went through some of those explanations. Whether they were clear or not, you guys can argue. But we did try to go through all of that and I would be glad to go with you any time. Give me a call. Okay?

We're not going asset light for every business. I was trying to answer a question that was -- trying to compare the Company today to the Company many years ago and I was trying to go through what the difference. Actually, I said that maybe in CDG, you could argue that, but not in the rest of the Company, and not even in GCG for the amount of manufacturing that we do.

Partnerships are both, right? You have to have both. Let's take one at a time so I can answer with a little depth to some of those questions. And again, I'll be glad to answer each one of those because it was a variety of them that you could have linked with each other.

CMOS sensors -- you haven't heard anybody here saying that we are abandoning that business. We think we have a lot of value. We do have to go --.

Joan Lappin - *Gramercy Capital - Analyst*

It was not listed, and this is where we're going to spend our R&D dollars now. That was missing from that list.

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

Well, what we're trying to say again, when I went through the transformation, when I went through the presentation and I said the transformed business, there's a bunch of things that we can do. I actually did mention the example of CMOS business. In the case of CMOS business, which is a Semiconductor business, time-to-volume is time-to-money.

It does happen, which we didn't know a year ago, that the cell phone market was going to be in contraction. We have to accept reality. It is what it is, we are where we are. It was something a year ago; it was because we had a different view of the world than we have now. With the view of the world that we have today, to make the best return for the shareholders with the CMOS business, the best thing we can do is find a way to rapidly go to scale, very hard to do that by yourself.

So the option is, well, of course, you give something when you do that. But you take something too. When you do something that you didn't mention is when you have a partnership, of course, you share the risk, you share the cost, and you share the benefits. But you get a lot of synergies too, that they go for both.

Now I still have to prove to you that we're going to find a good deal of course. If we don't find a good deal then all of this is for nothing. I think we can find a good deal that will give us to that very rapidly moving up to scale which absolutely fundamental. Otherwise, when you make up the business, you're going to lose your shirt. If you don't get to the volumes rapid then the cost is enormous. So given the market the way it is, that's why we make that decision.

I can go through each one of those. And we didn't make these decisions in a minute, Joan. We thought about what is the best return that we can make that we can get. And always with the notion that it is what it is and we are where we are. Which is, I didn't want to be -- I didn't want this economy and I didn't want to be in this situation, but we are. So once we are -- what is the best time? And with invest the best pot for the shareholder. I don't know if I --.

Frank Sklarsky - *Eastman Kodak Company - CFO & EVO*

I just wanted to reference the -- you asked a question about book value, Joan. A lot of the change in the book value has to do with the funding levels for the various pension plans around the world and one could argue about when those might recover based on how the asset markets recover.

But I think at the end of the day, from an investment thesis standpoint, the important thing is, we believe, is to look at what we are projecting for our business model and when the economy recovers, when we rationalize the portfolio, and when we drive that high single digit EFO margin out by the end of the plan period, because at the end of the day, this counters future cash flow to the company based on an EFO margin is really what ought to be driving our value. And we think we have a strong forward plan and that's what the investment thesis should be based on.

Delroy Warmington - *Delwar Capital Management - Analyst*

Delroy Warmington from Delwar Capital Management. If I may, I would like to review the Inkjet business as such. In the sense that the assumptions that go into your five and six million units for printing, what are your projections on the price in term ASP. Is it going to stay the same? Is it going to climb? Or do you plan to move with the chain and sell higher cost printers? And if so, what do you think that would [break even]?

Phil Faraci - *Eastman Kodak Company - President and COO*

We see that the ASPs have been in the decline. They've been in decline for a number of years. So we don't see that as a trend change. In terms of our sales, we're appraising typically one price point premium relative to the industry if you will, at each of those price points and we see ourselves maintaining that, especially while we continue to see ourselves pulling in and attracting that higher volume printer set.

If you look at the ink cartridges per year in terms of the modeling and getting to that five, six million, if you get to a five, six million installed base and people continue to print and our model started at lower than eight, but let's say at eight cartridges per year, you can go through the math on the kind of economics of that, you get about 8 million cartridges per million units of installed base.

Cartridges run $10 to $15 per cartridge -- very high double-digit gross margins and that's the primary driver. Basically, it covers the cost associated with marketing and sales as well as all of the R&D and manufacturing overhead and other costs. So that's really the driver of the model.

We very much see ASPs continually being under pressure. We don't see that as a big shift. Now our product portfolio, as Antonio mentioned, as I mentioned, is also going to continue to expand. And as our product portfolio expands, we'll be playing in a much broader range of price points as well as target segments.

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

The manufacturing costs around printers go down every year too. You have to put that into the model.

Delroy Warmington - *Delwar Capital Management - Analyst*

My next question has to relate to stock buyback. You did the stock buyback last year. Not to shares, if you could tell me how much you spend there and will that count as a good investment and what return income in investment?

Frank Sklarsky - *Eastman Kodak Company - CFO & EVO*

We spend about $300 million buying back shares in 2008. And one could argue about the return. But obviously, the precipitous drop in the equity markets in the late third and the fourth quarter obviously had an impact on the return. But that's how much we spent last year.

Unidentified Audience Member

Just a quick question. Frank, I think you said you can generate $150 million from proceeds of land sales. But then that's about half the cash flow for '09. Can you give us a sense of how big that pool of land that you have and how recurring that is or just give us a sense of where that's coming from.

Frank Sklarsky - *Eastman Kodak Company - CFO & EVO*

First, the proceeds are really based on some real estate holdings around the world. That's the proceeds in the cash flow that you referred to. I don't have a number for you exactly in terms of how much we have in land, real estate, whatever. I would also be careful though, in terms of characterizing which pockets of the company generate all or a portion of the cash flow.

We tried to lay out a portfolio this morning that said, here's where we generate cash in the business, here's where we're investing, and here's where we're transforming. It's easy for any of us, including ourselves internally, to pick out one part of the Company and say Oh, we generate all our cash there, we generate half our cash here. We've got a number of places where we generate a lot of cash and we also have investments and we also have some places where businesses aren't making money.

And I think Antonio did a great job this morning laying out where those three pieces were and we're going to be focusing on making the maximum amount of return on the cash generators which are Prepress, Entertainment imaging, and all the other ones we laid out.

We're going to focus our investments in that portfolio of core investments, and we're going to do the best we can to try to find a way to transform the businesses that are not at scale, are not making money, so that they become less and less of a drag below that zero line that we was shown on the graph.

Mike Shrek - *Longacre Fund Management - Analyst*

[Mike Shrek, Longacre Fund Management]. Can you talk about, with launching Stream, will you be financing -- how will these purchases be financed? Will you be offering financing?

Unidentified Company Representative

Most likely, we would not do that in the front end. Over time, it's something that we would be open to doing. We have a financing capability that we use for a set of our customers, but my guess is we're going to be starting off with just a very few units.

We have a long list of folks that basically want them. I can't imagine that being something we would do in the short-term but in the longer-term I think that would be very viable to do a mix.

Antonio Perez - *Eastman Kodak Company - Chairman and CEO*

The majority of the customers that are going to buy those systems from the beginning, they're pretty well-capitalized customers. It's not like the smaller printer that might need desperately help with financing. So there's a lot of room there.

Mike Shrek - *Longacre Fund Management - Analyst*

Just one other question. I don't think you covered it in the last call, but how is the cash distributed around the world? How much is in the US versus how much is international?

Unidentified Company Representative

We are a global company. We've got 60% of our revenue outside the United States. We sell, we manufacture around the world and we generate a lot of cash in a lot of different countries. We are very confident that we have the strategies in place so that we will have the cash anywhere we need it at any given time to fulfill all our obligations and all our investment needs.

Ann McCorvey - *Eastman Kodak Company - Director IR and VP*

Thank you so much for your attention. Our names are on the website in Investor Relations. If you have other questions, don't hesitate to give Angela or I a call. And please exit for your gift bags as we will prepare for the media event. Thank you so much for coming.

And that does conclude today's call. Again, thank you for your participation. Have a good day.
