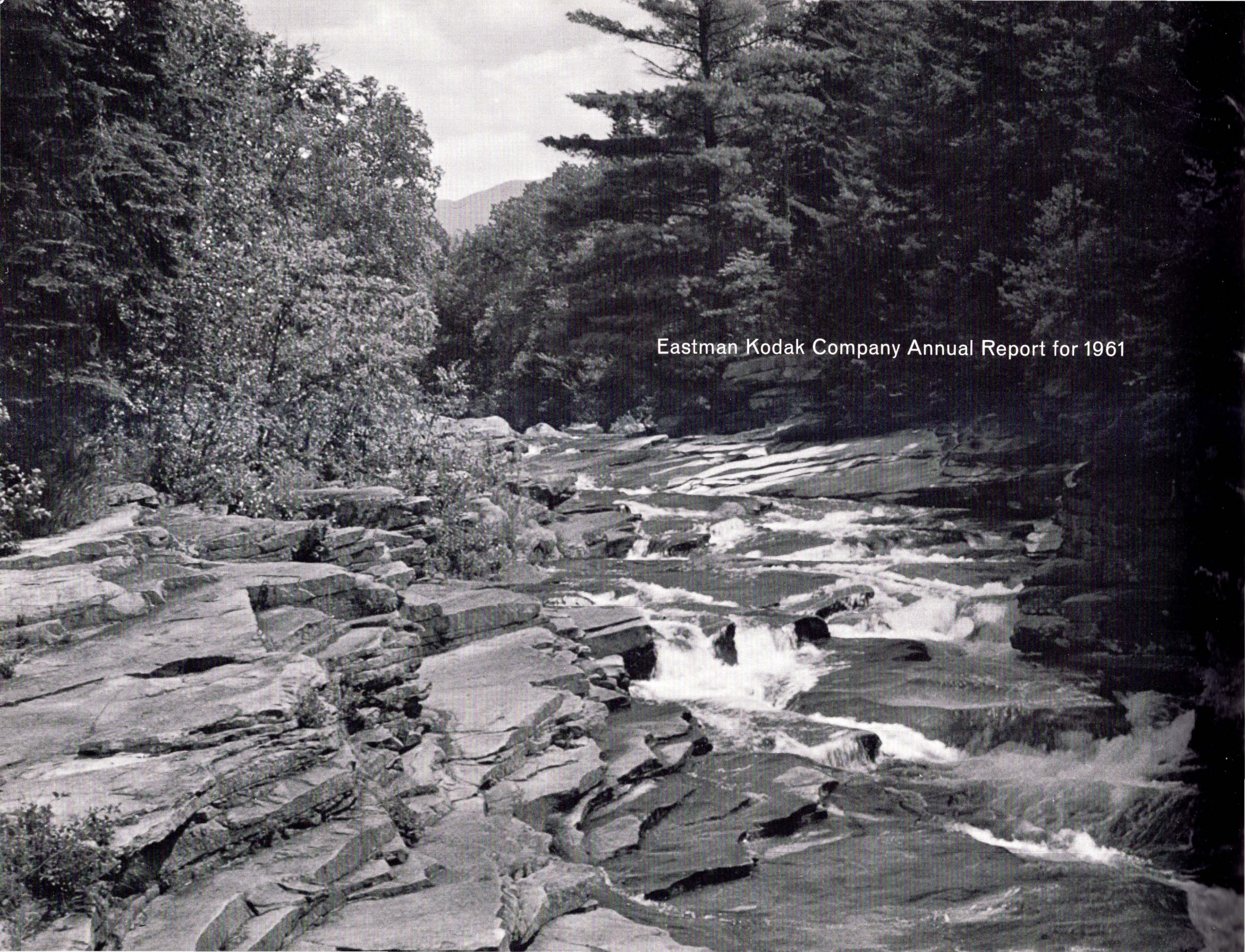




Eastman Kodak Company Annual Report for 1961



Eastman Kodak Company Annual Report for 1961

To Kodak Men and Women:

*Here is your copy of the company's
1961 annual report.*

*You have probably seen highlights of
the year in company publications and
the local newspapers. This report gives
additional information, and we believe
you will find it an interesting account
of the company's business last year
and the prospects for the future.*

*In some respects, 1961 was a difficult
year but, in total, the business moved
ahead of 1960, our best previous year.*

*We join with the Directors to thank
you for a job well done.*

Sincerely,

A. K. Chapman
A. K. CHAPMAN

W. S. Vaughn
W. S. VAUGHN

Directors

Thomas J. Hargrave
Raymond N. Ball
Paul Strong Achilles
Albert K. Chapman
Adolph Stuber
Marion B. Folsom
Frederick C. Crawford
James C. White
Gwilym A. Price
Donald McMaster
Ivar N. Hultman
James E. McGhee
Edward P. Curtis
John L. Collyer
William S. Vaughn
M. Wren Gabel

Executive Committee

Albert K. Chapman
Thomas J. Hargrave
William S. Vaughn
James E. McGhee
Edward P. Curtis
James C. White
M. Wren Gabel

Officers

Thomas J. Hargrave*
Chairman of the Board of Directors

Albert K. Chapman
Vice-Chairman of the Board of Directors and Chairman of the Executive Committee

William S. Vaughn
President

M. Wren Gabel
Vice-President and General Manager

James E. McGhee
Vice-President in charge of U. S. Sales and Advertising

Edward P. Curtis
Vice-President in charge of Professional Motion-Picture Film Sales and Foreign Sales and Advertising

I. L. Houley
Vice-President and Assistant to the President

Cyril J. Staud
Vice-President in charge of Research

Clarence L. A. Wynd
Vice-President and General Manager of the Kodak Park Works

Harmar Brereton
Vice-President and General Counsel

Gerald B. Zornow
Vice-President

Theodore F. Pevear
Vice-President and Director of Sales Administration

W. B. Potter
Vice-President and Director of Advertising

Robert W. Miller
Vice-President

Austin J. Gould
Vice-President

Herman H. Waggershauser
Vice-President and General Manager of the Apparatus and Optical Division

Neil S. Kocher
Vice-President and Assistant General Manager of the Kodak Park Works

Henry C. Yutzy
Vice-President

Richard B. DeMallie
Assistant Vice-President and General Manager of the International Division

Thomas E. McGrath
Assistant Vice-President and General Manager of the Distribution Center

Joseph R. Allendorf
Assistant Vice-President and Director of Sales Promotion

A. Dexter Johnson
Assistant Vice-President and Advertising Manager

William F. Shepard
Secretary and Assistant General Counsel

Ira C. Werle
Assistant Secretary and Assistant General Counsel

J. Donald Fewster
Treasurer

David H. Fulton
Assistant Treasurer

Carl L. Stevenson
Assistant Treasurer

Douglas H. Foxall
Assistant Treasurer

Edmund R. King
Assistant Treasurer

Kenneth G. Stuart
Assistant Treasurer

Thomas J. McCarrick
General Comptroller

J. Leslie Harper
Assistant Comptroller

R. Lynn Galloway
Assistant Comptroller

James C. White
Chairman of Tennessee Eastman Company and Texas Eastman Company Divisions

Louis K. Eilers
President of Tennessee Eastman Company and Texas Eastman Company Divisions

Henry L. Ford
President of Eastman Chemical Products Inc.

David C. Hull
Vice-President and Manager of Texas Eastman Company Division

James M. Arnold
President and General Manager of Recordak Corporation

Gregory Smith
President and General Manager of Eastman Gelatine Corporation

Graham C. Mees
President of Distillation Products Industries Division

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Annual Report for the 13-period-calendar fiscal year ended December 31, 1961.

The annual meeting of the Eastman Kodak Company is held on the last Tuesday of April.

Transfer Agents: Lincoln Rochester Trust Company, Rochester, N. Y.; Morgan Guaranty Trust Company of New York, New York, N. Y.; First National Bank of Jersey City, Jersey City, N. J.

Registrars: Bankers Trust Company, New York, N. Y.; Security Trust Company of Rochester, Rochester, N. Y.

THE COVER: Framed in spring blossoms, the snow-capped Bernese Alps overlook tranquil Lake Lucerne in Switzerland. Taken with Kodak Ektachrome Film, 1/50 sec. at f/11.

FREE REPRINTS of this picture and of the color photographs on pages 12, 18-19, and 28 are available on request. The reproductions, in the same sizes in which they appear in the report, are unfolded and suitable for framing. Please address: Eastman Kodak Company, Public Relations Department, 343 State Street, Rochester 4, N. Y.

*Deceased, February 21, 1962

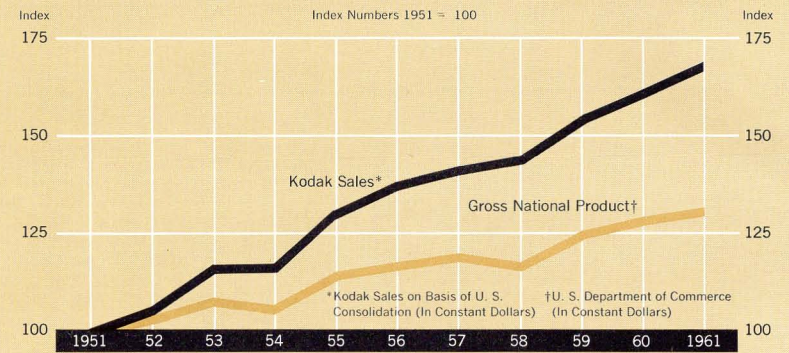


Summary of the year in figures

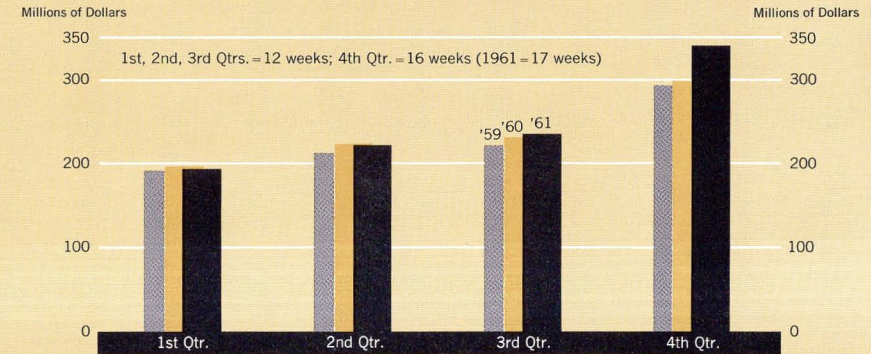
	1961 (53 weeks)	1960 (52 weeks)
Sales	\$989,171,969	\$944,761,249
Earnings before income taxes	\$268,703,447	\$259,562,103
Net earnings	\$130,203,447	\$127,062,103
—percent of sales	13.2%	13.4%
—per common share	\$ 3.38	\$ 3.30
Cash dividends—on preferred shares	\$ 347,286	\$ 374,197
—on common shares	\$ 86,234,655	\$ 80,504,573
—per common share	\$ 2.25	\$ 2.10
Working capital	\$386,934,236	\$374,496,944
Total net assets (net worth)	\$773,489,683	\$730,588,687
Expenditures for properties and equipment	\$ 70,659,058	\$ 72,047,999
Depreciation	\$ 44,467,175	\$ 42,353,400
Payrolls	\$297,200,000	\$285,100,000
Employee benefits	\$137,300,000	\$129,400,000
Employees at close of year—in the United States	46,300	45,900
—world-wide	74,200	72,400
Number of share owners at close of year—preferred	1,037	1,054
—common	127,261	120,678
Number of shares outstanding—preferred	94,522	101,931
—common	38,382,246	38,382,246

The above are consolidated figures for companies in the U. S., except for world-wide employment.

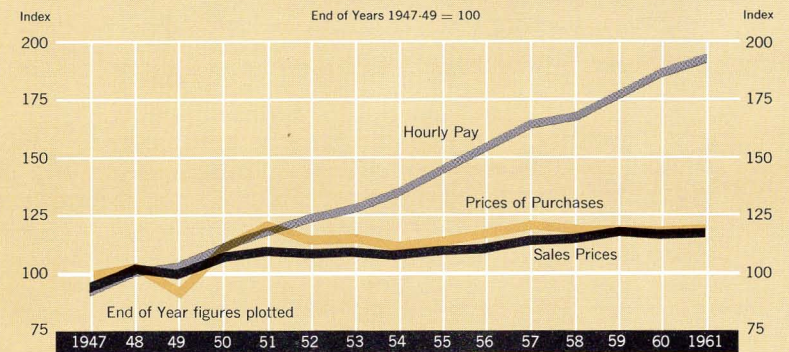
Sales continue to rise more rapidly than U.S. economy



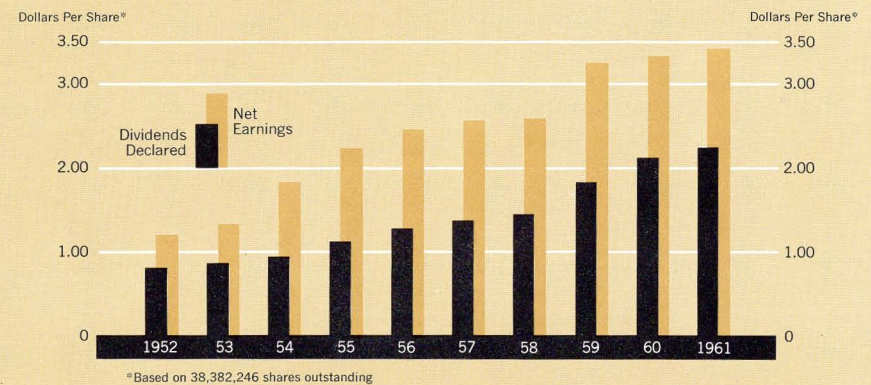
Fourth quarter 1961 sales show marked upturn



Improved plants and better methods help to moderate rise in selling prices



Both earnings and dividends have almost tripled since 1952



Management's Comments: Highlights of 1961 and the outlook for 1962

A very good fourth quarter carried Kodak's business for 1961 to its highest level to date.

The recession in the U. S. economy early in the year affected Kodak and its customers adversely. At mid-year, the company was behind 1960 in both sales and earnings. Business improved in the second half, however, and was especially good in the fourth quarter.

By the year-end, both sales and earnings were higher than in 1960, Kodak's best previous year.

The upturn in the U. S. economy was, of course, a major reason for the improvement. Another reason was the successful introduction of a sizable number of attractive new products. Also, the favorable comparison with 1960 reflects the fact that there were 53 weeks in the company's 1961 fiscal year.

For the successful year, the men and women of the company deserve much credit. They did a fine job, and they were well supported by the dealers, distributors, suppliers, and others associated with the business.

Sales Advance

Consolidated sales of Kodak units in the U. S. were \$989.2 million — almost 5 percent more than the \$944.8 million of 1960.

Sales of photographic products were higher in both the amateur and commercial fields.

For certain of the company's plastics, man-made fibers, and industrial chemicals, there was a drop in selling prices, the volume shipped, or both. In total, however, sales to the trade of these three important product groups were slightly above those of 1960.

Over the past ten-year interval, the percentage gain in Kodak sales, adjusted for price changes, has been more than double the gain in the U. S. economy as measured by Gross National Product, also adjusted for price changes.

Net Earnings Also Up

After taxes, Kodak earned \$130.2 million — or \$3.38 per share of common stock. This was 2.5 percent above the \$127.1 million — or \$3.30 per share — earned in 1960.

The amount provided for income taxes was \$138.5 million, \$6.0 million more than in 1960. Earnings before taxes totaled \$268.7 million, up 3.5 percent.

Dividends Higher

Cash dividends declared on the common stock equaled \$2.25 a share, 7 percent

higher than the \$2.10 declared in 1960. Total dividends on the preferred and common stock rose to \$86.6 million — nearly three times the amount in 1952. Kodak has paid a cash dividend on the common shares for 60 consecutive years.

Working capital — the money used to run the business — increased by \$12.4 million in 1961. At the year-end, cash and marketable securities exceeded current liabilities, and the company continues in a favorable position to meet its financial needs.

World Sales Up 7 Percent

Kodak financial results are regularly reported on a U. S. consolidated basis; those of non-U. S. units are reported separately. On a world-wide consolidated basis, however, 1961 sales totaled \$1,230 million, up almost 7 percent from the previous year.

Gains by Companies Abroad

Combined sales of Kodak associate companies outside the United States rose 16 percent to \$322.2 million. Their 1960 sales were \$276.6 million.

Net earnings of these companies totaled \$30.5 million, about 15 percent above the

\$26.5 million of the year before. The companies paid \$12.6 million in dividends to the Eastman Kodak Company, about \$500,000 more than in 1960.

Many New Products

The year 1962 marks the 50th anniversary of the founding of the Kodak Research Laboratories. While the company had been active in experimentation from its beginning in 1880, the start of the present laboratory organization in 1912 was one of the first formal research programs in American industry and became a keystone in Kodak's growth.

Today, research and development work is the source of the large number of new and improved products the company introduces each year. The past year was a particularly good one in this respect, and current research is leading to a wide range of other new products for 1962 and the years ahead.

Facilities Improved

During 1961, the company invested nearly \$71 million in additions, improvements, and replacements for its plants, offices, and equipment in the United States. This was almost the same amount as the year before. The board of directors has approved a budget of \$71.5 million for the program in 1962.

Over the past five years, about \$314 million has been invested in capital improve-

ments, all on a pay-as-we-go basis. The company remains free of debt.

Under this program, Kodak has built facilities to make new products and has enlarged its capacity for established products. Better equipment and production methods have enabled the company to improve product quality and to hold down costs.

The company is acquiring a 2,500-acre tract of land near Columbia, South Carolina. This site, which is well suited for chemical production, will be held for future needs.

Outside the U. S., Kodak companies invested nearly \$26 million in plant improvements, compared with \$18 million in 1960. These units — particularly the manufacturing organizations in England, France, Australia, Germany, and Canada — are expanding and improving their production and distribution facilities. Expenditures for this purpose in 1962 are expected to total about \$30 million. As in previous years, the funds will come chiefly from the earnings of these companies.

1962 Outlook Favorable

The improvement in Kodak's sales during the latter months of 1961 has continued in 1962, up to the date of these comments.

A variety of new products will be introduced in 1962; several of them have been announced already. Operations will benefit from additions and improvements to plants

and equipment. Marketing programs are being further strengthened. The entire organization is giving close attention to the control of costs and expenses.

Thus we believe the company is in a favorable position to meet market opportunities during the year ahead. If the U. S. economy continues to expand, 1962 should be a good year for Kodak.

* * *

On February 21, 1962, just as this report was being completed, the people of the company were saddened by the death of Thomas J. Hargrave, chairman of the board of directors. He led Kodak during a period of sustained growth. He was president from 1941 to 1952, and chairman since then. His contributions to Kodak over three and a half decades were great and many. His exceptional ability as a business leader was combined to a rare degree with the traits of a warm, human personality. His death is a profound loss to all of us.

AK Chapman
Vice-Chairman

W.L. Vaughn
President

Rochester, New York
February 22, 1962

Marketing:

Gain in sales aided by many new products

Total sales of Kodak products and services reached a new high in 1961 for the seventh consecutive year.

Consolidated sales of \$989.2 million were almost 5 percent more than in 1960. Photographic products advanced well, and there was a modest increase in the company's overall business in plastics, man-made fibers, and industrial chemicals.

Film and Paper Sales Rise

Sales of photographic films, papers, and chemicals made by the Kodak Park Works in Rochester, N. Y., were above those of the previous year.

Gains were good in graphic arts films, x-ray films, papers for Verifax office copiers, and films and papers for commercial still photography. Sales of professional motion-picture films were also higher, due chiefly to increased use of film by the television and motion-picture industries.

In amateur photography, color films continued to move ahead, although black-and-white films were lower.

Kodak's color print and processing business was nearly the same as in 1960. Papers, films, and chemicals for use by photofinishers advanced.

Photo Equipment Sales Equal 1960

The photographic equipment business of the Apparatus and Optical Division in Rochester was down during the first half of 1961, but a strong upturn during the Christmas buying season lifted the sales total for the year to about the same level as in 1960.

New products—such as the Kodak Carousel slide projector, the Kodak Automatic 8 Movie Camera, and the Brownie Super 27 Camera—sold particularly well. There also was a strong demand during the year for photofinishing equipment, especially items recently introduced.

Chemical Sales Increase

Sales trends were mixed among plastics, fibers, and industrial chemicals made by the Tennessee Eastman division in Kingsport and the Texas Eastman division in Longview. Good business in certain lines, however, raised the total a little above the 1960 mark.

Chemical sales, for example, were higher. Products that made favorable gains included basic industrial chemicals—such as acetic acid and ethyl alcohol—as well as plasticizers, dyes, and Epolene polyethylene resins. Epolene materials are used in waxes, polishes, and paper coatings.

Sales of man-made fibers for use in textiles and cigarette filters were about the same as the year before. Eastman textile fibers include Kodel polyester fiber, Verel modacrylic fiber, and Chromspun and Estron acetate fibers.

On the other hand, sales of cellulosic plastics—Tenite acetate, butyrate, and propionate—were a little lower than in 1960. Because of lower selling prices, dollar sales of Tenite polyethylene plastic also were down, although the quantity sold was up. Tenite polypropylene plastic became available in quantity during the year and had good market acceptance.

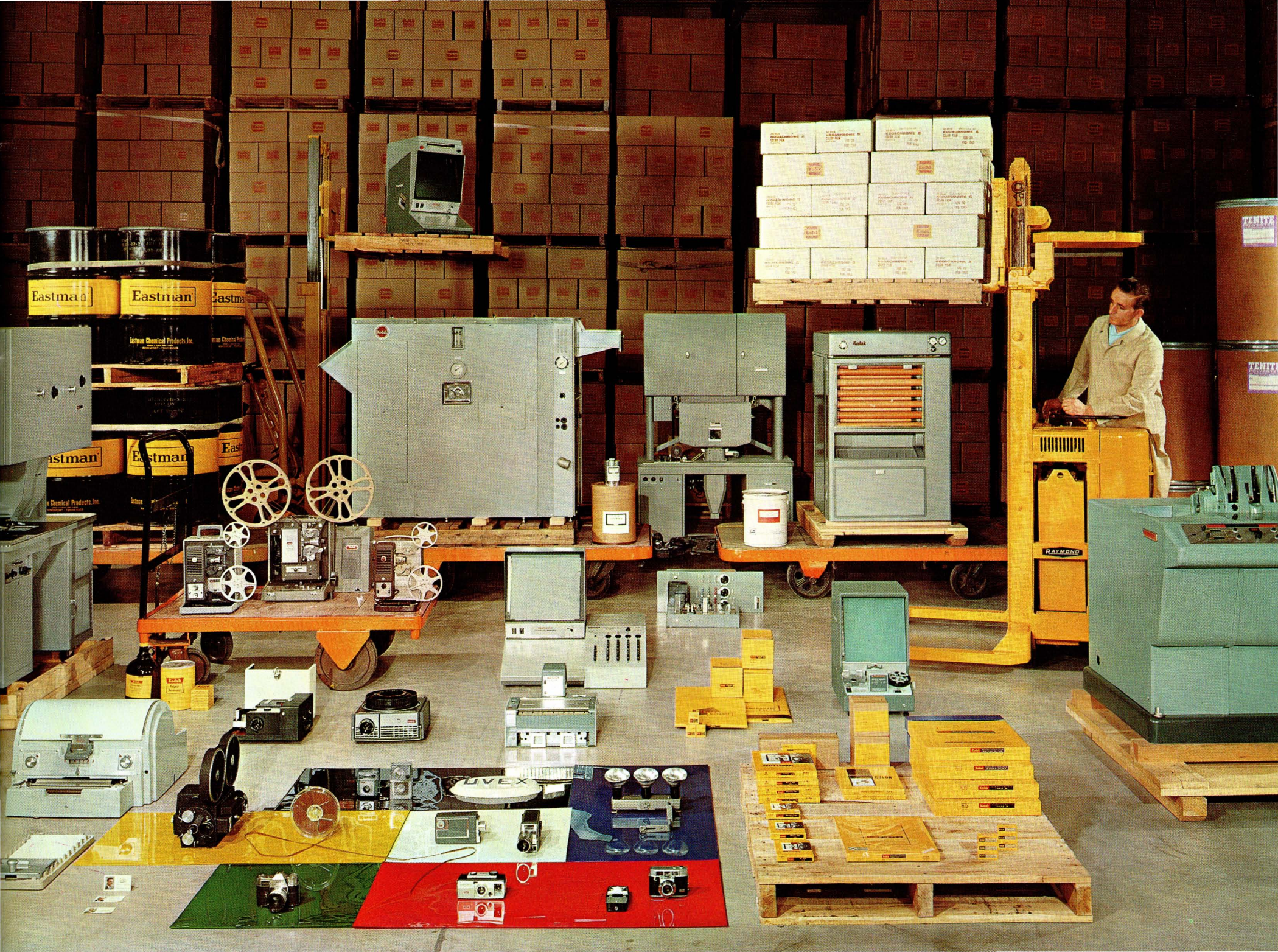
Vitamin Sales Up

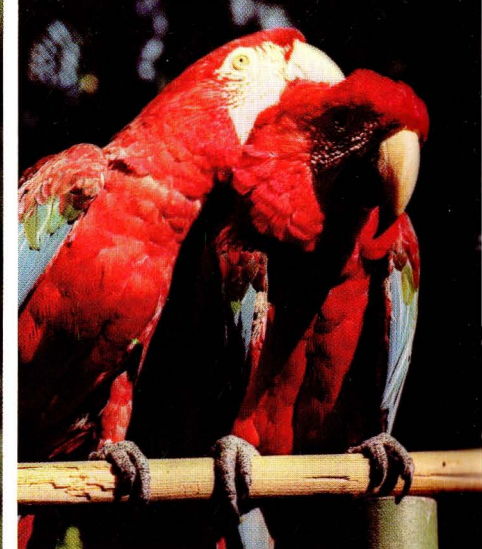
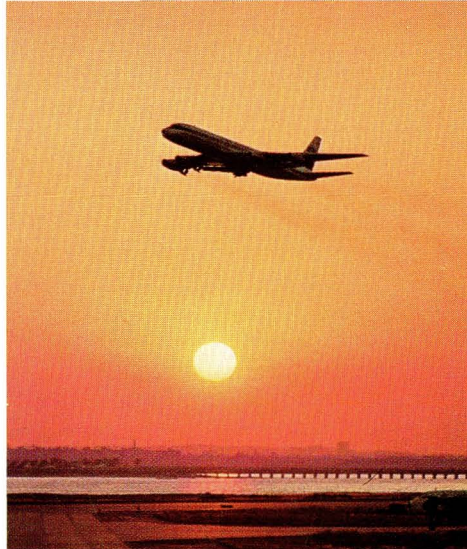
The business of Distillation Products Industries division in Rochester made a substantial



These are some of the more than 100 new and improved products marketed in 1961. Products have been added in nearly all areas of the company's business. Included are: films, cameras, and projectors for amateur still photography and home movies; films and papers for professional still photography; graphic arts, x-ray, and professional motion-picture films; equipment for microfilming and for office copying; equipment, papers, and chemicals for photofinishing.

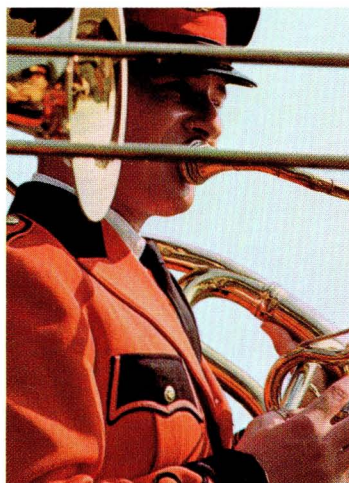
Also: professional sound recording tape, polyester plastic, a variety of industrial and laboratory chemicals, improved cigarette filter tow, and new forms of vitamin concentrates and monoglycerides.





*The whole wonderful world of color is yours
with Kodachrome II Film . . .*

With two and one-half times the speed of its predecessor, Kodachrome II Film broadens the world of color photography. This remarkable new film portrays color as it has never been done before. You can now capture the noisy colors of a brass band . . . the freckled charm of a child's face . . . or the swift beauty of an airborne jet at sunset with results even more true to life. In addition to better color rendition, greater sharpness can now be attained—an improvement most apparent in 8mm movies because of the high magnification in projected pictures. Kodachrome II Film is available in 135, 8mm, and 16mm sizes.



gain. The best increase occurred in sales of vitamin A for use in animal feed.

Strong Gains in Microfilming

Recordak Corporation, a rapidly growing unit of the company, continued to make good sales progress in the microfilming and information-handling field. New equipment sold especially well. Various new applications of microfilming in business systems were developed, and sales in this field increased. Another sales stimulus resulted from a growing number of firms having their records microfilmed and stored in protected areas.

Advances in Marketing

The company is continuing to develop and apply new techniques and ideas in marketing its products. Some recent examples are these:

New, rapid means of communications, combined with the electronic processing of sales data, give management more timely and more complete sales information. This program helps the company to adapt its advertising and selling efforts rapidly to the changing buying habits of customers.

Detailed sales information also is used in research on methods to improve the efficiency of business operations. As one result, it has been possible to reduce inventory quantities in a number of product lines and, at the same time, improve service to customers.

To keep in step with developments in trade areas like the European Common Market and the Outer Seven, Kodak sales executives from the United States and from the associate companies abroad are working together closely in setting up current and long-range marketing plans.

Broad Advertising Programs

With more and more products advertised nationally each year, competition for the consumer's attention is steadily increasing. To sell its products in this environment, Kodak has strengthened its activities and programs in the area of advertising and sales promotion. Some of the current efforts are:

- Entry into color television—a good medium for building interest in color picturetaking—through the alternate sponsorship of “Walt Disney’s Wonderful World of Color.”
- Advertising in magazines, newspapers, and television to suggest how picturetaking fits in with leisure-time activities such as travel, sports, gardening, and other hobbies.
- Sponsorship of the All-America Football Team and Coach of the Year Awards . . . America’s Junior Miss Pageant . . . and two national photographic contests.
- Plans for Kodak exhibits at the Century 21 World’s Fair in Seattle in 1962 and the New York World’s Fair in 1964-65, as well

as continued emphasis on exhibits and information centers at Grand Central Station in New York City, Disneyland in Los Angeles, and Six Flags Over Texas, a new historical amusement park midway between Dallas and Houston.

Photographic products in the professional, commercial, industrial, graphic arts, and scientific fields are promoted through exhibits at trade shows and advertising in over 300 trade journals.

Advertising by Eastman Chemical Products, Inc., which sells the products of Tennessee Eastman and Texas Eastman, gives special emphasis to the building of markets for new products—for example: Kodel polyester fiber, Tenite polypropylene and polyester plastics, Uvex plastic sheeting for outdoor signs, Epolene polyethylene resins, and a variety of industrial chemicals.

Polyester Fiber Enters European Market

Tennessee Eastman and the German chemical firm Chemische Werke Huels A.G. have jointly organized a new company in West Germany — Faserwerke Huels G.m.b.H. The new unit is engaged in sales development in the European market for Vestan, a polyester fiber known in the United States as Kodel. Until the fiber is produced by the new company, Tennessee Eastman will supply the quantities needed.



Research and Development: 50th year of research laboratories brings many advances

Kodak was founded on research. George Eastman, after months of experimenting at night in his mother's kitchen, devised a way to mass-produce photographic dry plates, and this process enabled him to go into business in 1880. As early as 1886, he hired a full-time research chemist.

Then in 1912, a formal research program—one of the first in American industry—was begun with the establishment of the Kodak Research Laboratories under the direction of the late Dr. C. E. Kenneth Mees. These Rochester laboratories will celebrate their golden anniversary in 1962.

In contrast to the small group of men who began new studies in photography 50 years



The glimmering and distant beauty of the Orion Nebula is captured in this dramatic new photograph made on Kodak High Speed Ektachrome Film by the U. S. Naval Observatory. The Orion Nebula is a huge cloud of glowing gases. To the naked eye, it is a colorless twinkle that is barely visible on a clear night. According to astronomers, the light that made this picture left the nebula about 1,000 years ago.

Photography's vital role in the exploration of outer space is one of the many ways in which products from Kodak research are serving science, medicine, business, and the family.

ago, several thousand scientists, engineers, and other technical people today carry on an intensive program of research and development on a company-wide basis—both in the laboratories and in the major manufacturing divisions.

It is the job of these people to provide a continuing flow of new and improved products that will serve the advancing needs and interests of customers in many fields. The laboratories also carry on a vital program of fundamental research, the study of the basic sciences underlying the business.

Another source of strength is the contributions of research laboratories and development groups of Kodak associate companies in England, France, Germany, Australia, and Canada. These groups offer the advantage of employing diverse approaches to research problems. There is a steady interchange of ideas and information, and some of Kodak's important photographic products have been born of this kind of teamwork.

Important Progress in 1961

The effectiveness of Kodak's research and development effort is shown by such recent advances as improved films and papers . . .

faster processing . . . easier-to-use cameras and projectors . . . more versatile photofinishing equipment . . . a new family of plastics . . . and a variety of industrial chemicals.

New Color Films

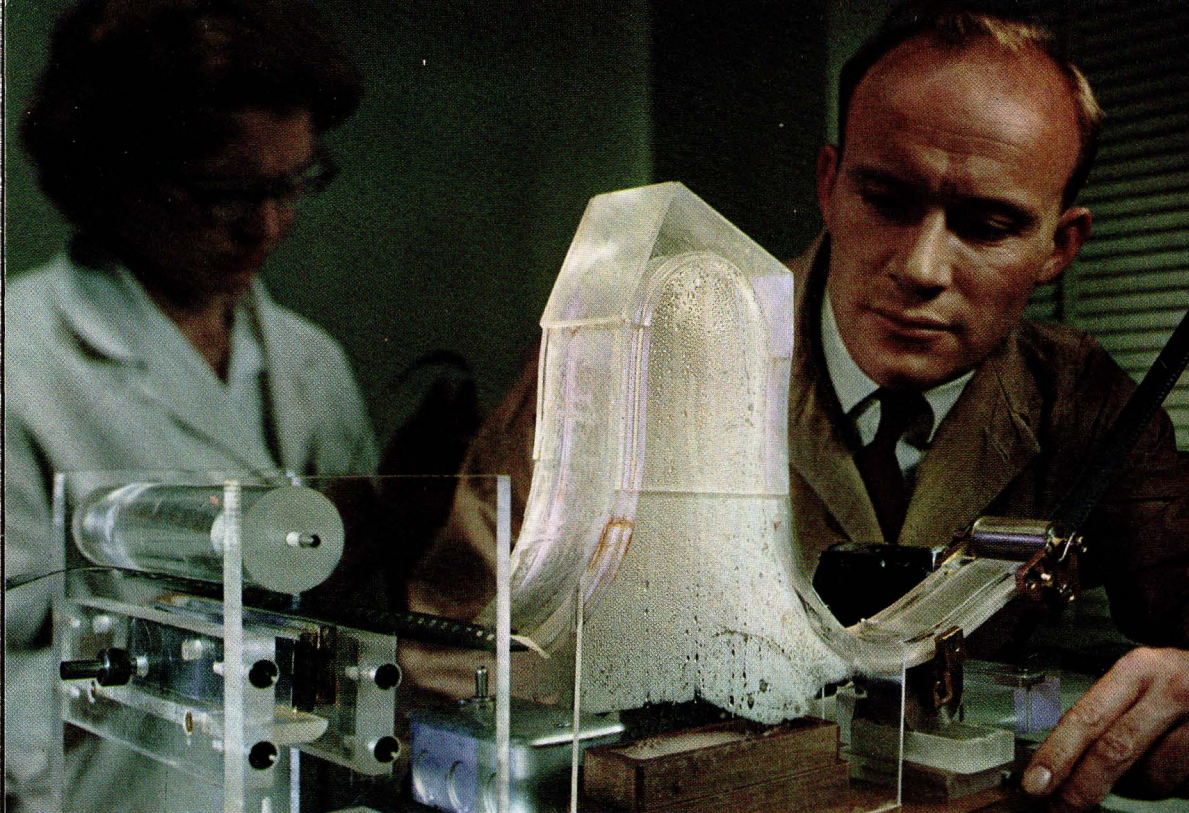
The year was particularly fruitful in terms of new products for color photography. Kodachrome II Film reached the market—with higher speed, greater sharpness, and better color rendition than the earlier Kodachrome.

An internegative film makes it easier for professional photographers to produce high-quality color prints from color transparencies; a new professional Ektacolor paper further improves color rendition and stability in prints. Currently, two professional color motion-picture films with improved characteristics are being trade-tested.

Advances in Many Product Lines

In 1961, a number of research gains were applied to products which serve medicine, industry, commerce, and other fields.

For example, Kodak began making x-ray films with 50 percent greater speed than the fastest previous x-ray films. Also introduced were improved professional black-



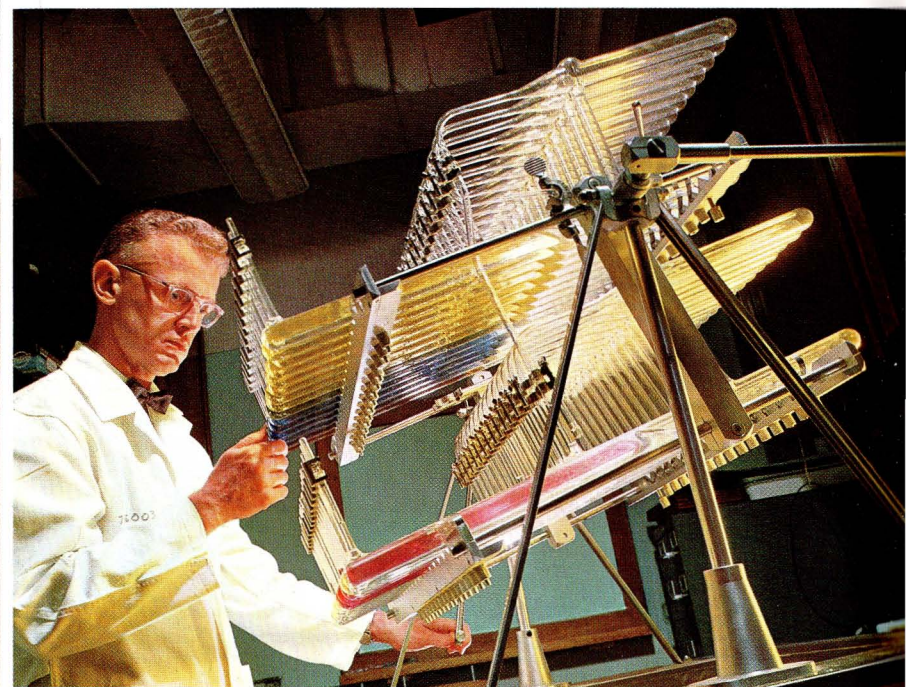
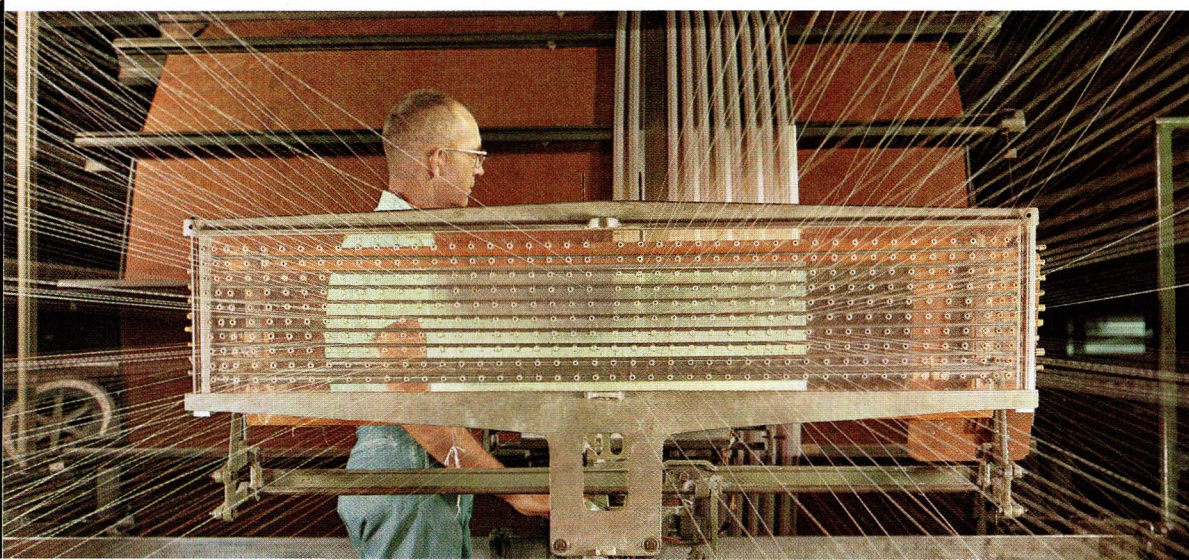
Scientists at the Kodak Research Laboratories in Rochester use a small scale model to evaluate a new, high-speed system for film processing.

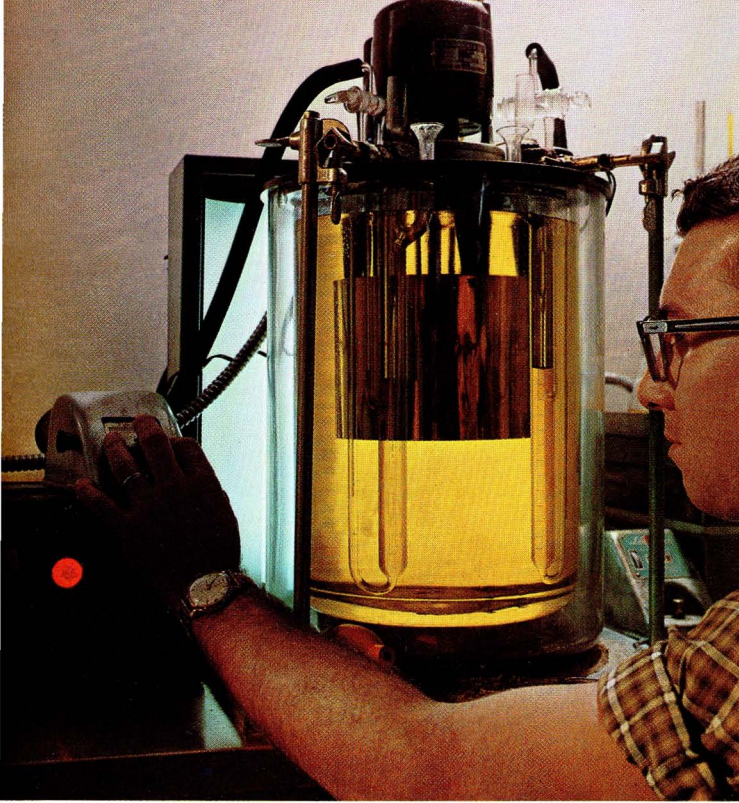


Engineers design new products, devise production methods, and develop the unique equipment used in many of the company's manufacturing operations.

Research chemists in Rochester and Kingsport use this modern apparatus in their work on new photographic, fiber, plastics, and chemical products.

A new fiber is prepared for weaving into an experimental fabric at the textile development laboratory of the Tennessee Eastman division.





New plastics are created and evaluated at the research laboratories of Tennessee Eastman and Texas Eastman.

Distillation Products Industries scientists are finding new uses for monoglycerides in every-day foods.



and-white films, papers, and chemicals; oscillograph-recording papers; and graphic arts films and plates.

The range of Verifax office copying was broadened by the addition of a single-copy matrix paper that gives much better results than were possible before in reproducing such difficult originals as fourth or fifth carbons and magazine pictures.

A system for making standard-size paper copies of tiny microfilm images in about 30 seconds was built into a new Recordak microfilm reader.

Progress was made on photographic processes other than the conventional silver halide system. A photosensitive polymer over 20 times as fast as current photo polymers is in an advanced development stage. It should extend the use of these materials in making printed electrical circuits and tiny electronic parts. The laboratories are continuing to explore a range of photo polymers as well as electrophotography and various other image-forming systems.

The company entered the magnetic tape field in 1961 with the introduction of Eastman Sound Recording Tape for commercial use. Kodak Sound Recording Tape will be offered to the general public during 1962. Research has produced results that could extend the use of the company's magnetic tapes to other fields.

Gains in Rapid Processing

Major progress was made in automatic systems for film processing. Two new machines were announced which greatly reduce processing time and give high-quality results.

One of them—the Eastman Viscomat Processor—employs a new system based on the use of heated chemicals of a viscous, or syrupy, consistency. This machine will reduce from almost one hour to about one minute the time needed to process various 16mm black-and-white motion-picture films—for example, television films.

The second machine—the Kodak Versamat Processor—is of special interest to professional photographers. It will process many types of black-and-white films, in sheets or in rolls, in about six minutes. This machine employs the same processing principles used in the Kodak X-Omat Processor, which has been highly successful in the rapid processing of medical and industrial x-ray films.

Easier-to-Use Photo Equipment

The Apparatus and Optical Division in Rochester developed an array of new equipment, including several cameras and projectors with automatic features.

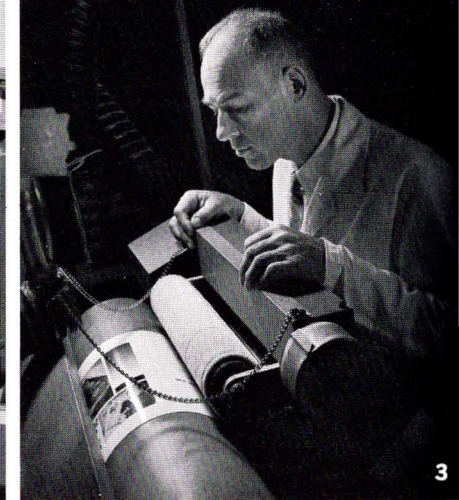
New apparatus includes the Kodak Carousel Projector, which, with a single circular slide tray, can show 80 slides automatically; the Kodak Hi-Mat 8 movie projector, whose



1



2



3

1 Studies that show how light scatters in photographic emulsions assist scientists in work on new films.

2 At Kodak Pathé in France, research is revealing ways to improve magnetic tape.

3 Work on photographic materials for the graphic arts is a major program of the Kodak Research Laboratories in Rochester.

4 The discovery and evaluation of new methods to disperse dyes provide better ways to color Tenite plastics.

5 In a setting resembling the family kitchen, Eastman laboratories find new uses for Tenox additives which keep food fresh and tasty.

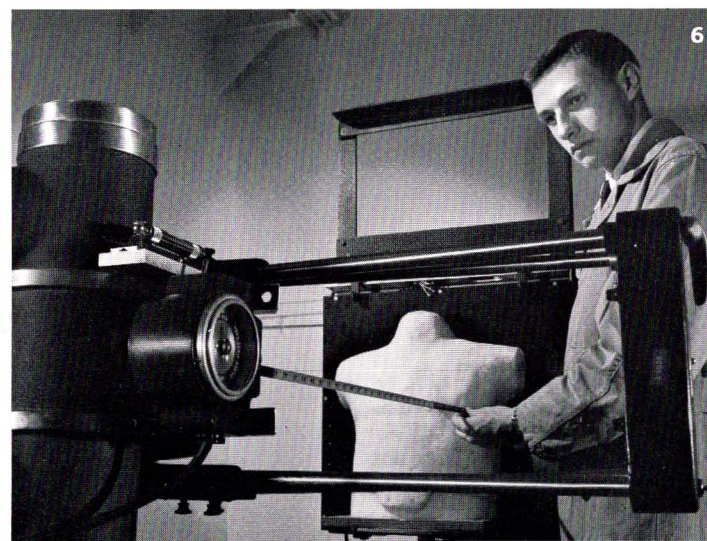
6 Scientists use plastic models simulating the human body to evaluate the performance of improved x-ray films.

7 Research on color films at Kodak Ltd. in England includes psychological studies on how people see color in transparencies.

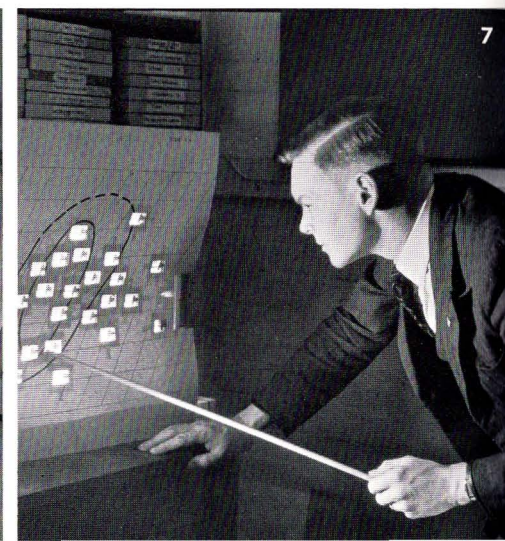
8 Modern systems make up-to-date research information readily accessible to scientists.



5



6



7



$f/1.0$ lens projects a brighter image on the screen; a transistorized 16mm sound projector; a new professional 16mm motion-picture camera; a larger-capacity Verifax office copier; and a variety of highly automated photo-finishing equipment.

New Plastics, Chemicals, Fibers

Among the many results coming from the research and development laboratories at the Tennessee Eastman and Texas Eastman divisions were these:

A new family of plastics, called polyallomers, was developed. The properties of these materials are different from those of any other known plastics. For example, one group—propylene polyallomers containing ethylene—has greater impact strength and more resistance to low-temperature brittleness than has polypropylene plastic.

As a result of research in ketene chemistry, Tennessee Eastman has begun semi-commercial production of diketene and several related compounds for use by pharmaceutical manufacturers. Tennessee Eastman introduced a new Tenamene gasoline additive, and a series of low-cost Texanol plasticizers reached the market from Texas Eastman. Experimental quantities of a new elastic polyester fiber are being trade-evaluated.

The effectiveness of research and development work at Tennessee Eastman and Texas

Eastman is indicated by the fact that nearly 50 percent of 1961 sales by these two divisions were of plastics, fibers, and chemicals introduced during the last 10 years.

Added Forms of Vitamins

The Distillation Products Industries division in Rochester developed a water-soluble form of vitamin E for use in pharmaceuticals and food fortifiers. Previous forms of vitamin E had been soluble only in oils. DPI also introduced several other forms of vitamins A and E for the animal-feed industry.

A Look to the Future

As Kodak's formal research program enters its second half century, the broad accomplishments of the past era will serve as a solid foundation upon which further progress can be built. A number of new and improved products now in the advanced development stage will enter production in 1962. Gains in technology and exploratory research give promise of many novel and useful products for the years ahead.



The dramatic center-fold picture was made with two exposures on a single sheet of Kodak Ektacolor Film. The first exposure, $1/25$ th sec. at $f/22$, captured the twilight sky and city; later, a 35-minute exposure recorded the lights. The picture will appear in June as the 18-by-60-foot Kodak Colorama at Grand Central Station, New York City.





People and Organization: Kodak's greatest asset is its fine industrial team

Through the years, Kodak men and women have established a reputation for the high quality and reliability of the products they make and the services they provide. In this and other ways, they have consistently proved themselves a very fine industrial team.

The past year was a difficult one in many respects: it began with a recession in the nation's economy; there was growing competition both in the U. S. and abroad; and, as always, many other problems affected the business in one way or another. Kodak people did an outstanding job of meeting these problems. Their loyalty, skill, and conscientious work were major factors in the company's progress.

Credit is due other groups as well. Among these are the suppliers and subcontractors, who provide the company with materials and services . . . the transportation people, who move the products to Kodak's many markets . . . and the dealers and distributors, who are a vital link between Kodak and its customers.

U. S. Employment Up Slightly

At the end of the year, the company employed about 46,300 men and women in the United States—slightly more than the year before. Of

this total, some 30,000 are employed in Rochester, N. Y., where Kodak's main photographic operations are located. More than 9,000 are at the Tennessee Eastman division and other units in Kingsport, and over 1,000 at the Texas Eastman division in Longview. Employment world-wide rose moderately to a total of 74,200.

Wages and Benefits Higher

During 1961, Kodak men and women shared in the progress of the company through a generally higher level of wage rates, a larger wage dividend, and other improved benefits. The wage dividend, including the portion designated for the Eastman Kodak Employees' Savings and Investment Plan, totaled 6 percent more than in 1960. This increase was influenced by higher wages and larger dividends declared on the common stock.

Under the employees' savings and investment plan, Kodak people with five or more years of service can elect to have all or part of their wage dividends deferred and invested in one or more of three funds: Kodak common stock, diversified securities, and government bonds. In 1961, during the plan's first year of operation, some 12,000 employees

participated in the Kodak stock fund, and 66,885 shares were purchased for this fund.

Employee benefits for 1961 are shown in the following table:

	1961	1960
Wage dividend and the savings and investment plan	\$ 50,799,000	\$ 48,022,000
Life insurance, retirement annuities, and disability benefits	32,498,000	31,087,000
Taxes for old age and survivors' benefits and for unemployment insurance	10,334,000	9,024,000
Vacations and holidays	30,075,000	29,117,000
Medical insurance and sick benefits	11,872,000	10,499,000
Other	1,734,000	1,684,000
	<u>\$137,312,000</u>	<u>\$129,433,000</u>

Suggestions Important

Kodak men and women are encouraged to suggest ways to improve products, reduce costs, and increase plant safety. During 1961, over one-fourth of all Kodak people submitted ideas through the suggestion system.

A splendid example was a suggestion by a spinning machine operator at Tennessee



Dr. Henry C. Yutzy, formerly an assistant director of the Kodak Research Laboratories in Rochester, N. Y., was elected a vice-president of the company.

Thousands of Kodak dealers, including Wilson D. Whittier of The Camera Shop in Grand Rapids, Mich., make Kodak photographic products available to customers.



M. Wren Gabel, vice-president and general manager, was elected a Kodak director and a member of the executive committee.



Nearly 1,700 Kodak people world-wide joined the 25-year service club in 1961. Albert K. Chapman (left) and William S. Vaughn (center) were among officers who greeted Rochester members.

Many Kodak people serve their communities. For example, John Brennan of Eastman Gelatine is council president in Peabody, Mass.

Over 10,000 firms supply Kodak with materials and services. Here, Rayonier Incorporated prepares to ship wood cellulose.



Eastman which led to an improvement in the production of Chromspun and Estron acetate fibers. This resulted in cost savings and better-quality fibers. An award of over \$3,000 was made for his idea.

Nearly 40 percent of the suggestions made in 1961 were adopted, and the amount paid in awards totaled more than \$300,000. Kodak's suggestion plan dates back to 1898 and is one of the oldest in industry.

Kodak People Continue Education

More than 2,000 men and women made use of the company's tuition aid plan to further their education in 1961. Under the plan, three-fourths of tuition expenses up to \$400 a year is paid for approved courses.

Kodak has long recognized the benefits—to both the individual and the company—of assisting Kodak people to continue their education beyond their regular school years. The tuition aid plan dates back to 1916.

People Active in Community Projects

The people of the company are active in the affairs of their local communities. They serve as leaders in scouting and other youth work, as members of school boards, and as volunteers in hospitals, social agencies, and local fund drives—to name only a few activities.

The support and good will of the communities is important to the company's progress.

As one of Kodak's public relations efforts, special plant visits are arranged for local groups with particular interest in the company—educators, clergymen, suppliers, and others. Many of these groups not only inspect the plants but meet with and ask questions of executives. These meetings broaden understanding of the company and its operations.

School Services Expanded

Over the years, services for students and teachers have been enlarged. A variety of films, literature, and displays are made available for classroom use, and speakers from the company take part in a wide range of school and college programs.

During the past 10 years, more than 9,000 teachers have made special visits to Rochester plants. Many of these visits are designed to relate classroom subjects to their actual applications in industry. In addition, some 17 special tours and discussions, planned in cooperation with teachers from the area schools, are provided for students. Nearly 6,000 students took part in these tours during 1961.

One type of program is designed to stimulate the interest of high school students in science subjects and to encourage those gifted in that area to consider scientific careers.

At Tennessee Eastman, for example, 35 scientists serve as instructors in a special science seminar for outstanding Kingsport

high school students. In Rochester and other communities where Kodak units are located, the company makes available a "Scientists at Work" audio-visual program, which dramatizes the jobs of Kodak research people.

Aid to Education Increased

Modern industry, as well as the nation as a whole, has a vital need for growing numbers of college-trained people. Kodak, like more and more organizations and individuals, makes contributions to institutions of higher learning to help them meet that need. In the past five years, these contributions have amounted to almost \$4 million.

In 1961, direct grants, fellowships, and special grants given to some 100 U. S. colleges and universities totaled about \$1 million—moderately more than in 1960.

Direct grants valued at almost \$300,000 were awarded to 58 privately supported colleges and universities. Such grants are based on the number of graduates of these institutions who joined Kodak five years ago and are still with the company.

A total of 44 fellowships, worth more than \$150,000, was provided for advanced study in science, engineering, and business. In addition, the company made grants of over \$500,000 to educational institutions in areas where it has major manufacturing operations and to special funds for higher education.



The number of Kodak share owners increased by over 6,500 in 1961. One new owner is Mrs. Edna Alward of Colorado Springs, Colo.

Men, including Prof. Robert Baumann of Ames, Iowa, make up about 31 percent of the owners and have 18 percent of the shares.

Over 40 percent of the owners are women, like Mrs. Carolyn O'Brien of Tampa, Fla. They hold 26 percent of the shares.

Joint owners, like Mr. and Mrs. Robert Mershon of Columbus, Ohio, make up nearly 15 percent of the share owners.

Who owns Kodak?

There are over 128,000 share owners — from all 50 states, the District of Columbia, Puerto Rico, and 36 other countries. About 86 percent are individuals or joint owners; they hold 47 percent of the common shares. Institutions — including universities, hospitals, insurance companies, pension funds, and investment trusts — make up 14 percent of the owners and hold 53 percent of the shares. No individual owns as much as one percent of the shares.

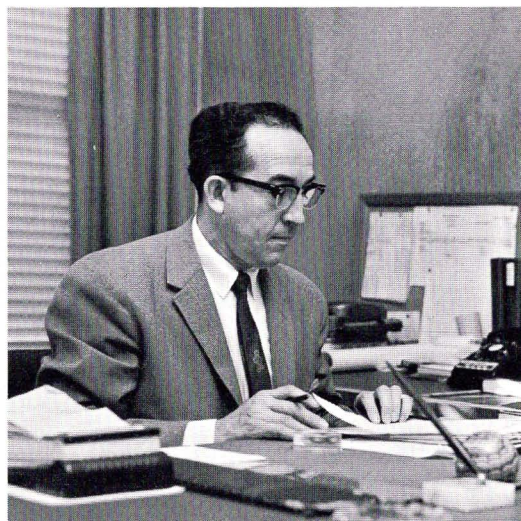
(Based on a September 1961 survey.)

Kathy and Pete Day of Rochester, N. Y., are among the younger owners. They received the shares as gifts from their parents.

Some institutional owners are hospitals — for example, the Exeter Hospital in New Hampshire, where Vernon Rich is administrator.

Ben Whisnant is executive vice-president of the State Bank of Burke, Morganton, N. C., —one of many banks that hold Kodak stock.

Among numerous investment groups owning Kodak stock is the Lin-Stock Investment Club of Linton, Ind. George Greene is a member.



Operations and Improvements: \$71 million investment provides more capacity, better methods

A bulldozer pushing back the earth . . . structural steel being lifted into place . . . the rhythmic hum of a new machine on its trial run . . . these were familiar sights and sounds at many company units during 1961, a year in which nearly \$71 million was invested in capital improvements and additions.

The improvement program is a continuing one: in the past five years, for example, about \$314 million has been invested in company units in the U. S.; and the board of directors has approved a budget of \$71.5 million for this work in the year ahead.

Production Capacity Added

Part of the 1961 investment went into facilities to make new products and to provide greater capacity for existing ones.

For instance, the Texas Eastman division started up a plant to produce a new family of low-priced Texanol plasticizers. The Apparatus and Optical Division in Rochester added tools and more versatile equipment to make new cameras and projectors. Several new chemicals will come from facilities now being installed at Tennessee Eastman.

Because films on Estar base have proved so desirable for graphic arts and other uses,

the Kodak Park Works in Rochester is raising its capacity to make this polyester base.

Texas Eastman is expanding production capacity for Tenite polypropylene plastic from 20 to 30 million pounds annually to provide for expected growth in demand.

Plant Efficiency Increased

Another portion of the 1961 capital budget was used to apply research and engineering advances to existing operations, in some cases to improve quality, in others to increase efficiency and hold down manufacturing costs.

For example, Texas Eastman made improvements in its hydrocarbon cracking plant. These changes led to a greater output of propylene and ethylene, higher purity yields, and increased plant efficiency.

In another case, newly designed equipment enabled the Apparatus and Optical Division to make better use of work areas. As one result of this program, which has been in progress for several years, three outdated, inefficient buildings have been torn down.

A third portion of the capital budget was used to improve marketing facilities.

At Kingsport, Tenn., a new sales development laboratory building is being completed.

A wing for the chemical division was opened in 1961, and a wing for the plastics division will be finished in 1962.

At Oak Brook, Ill., Kodak is building a new headquarters for its midwestern sales division. This unit, presently located in Chicago, is one of eight regional distribution centers for photographic products.

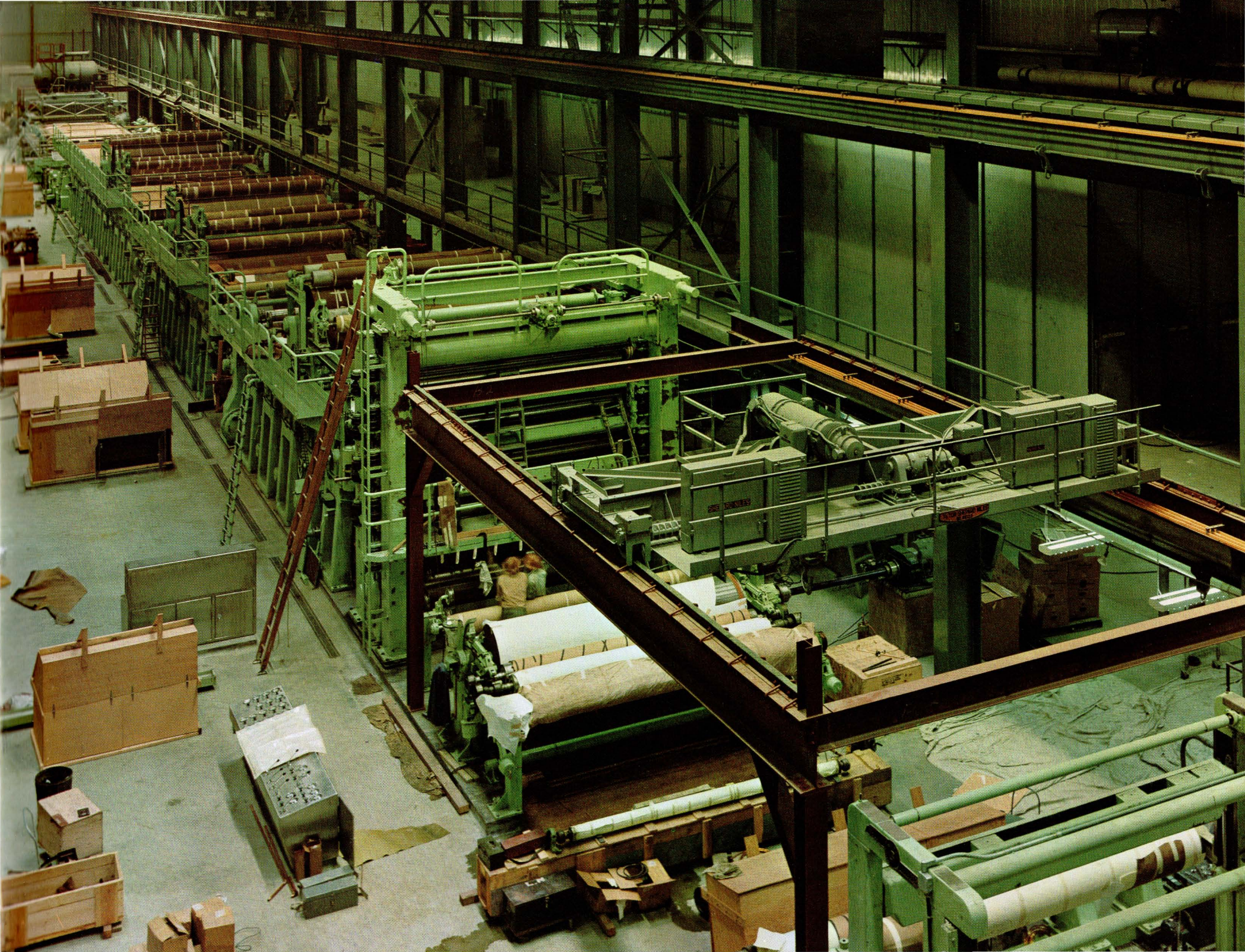
Higher Investment Abroad

Kodak associate companies in other countries invested almost \$26 million in new and improved facilities. This amount—provided almost entirely from their own earnings—was more than \$7 million higher than in 1960.

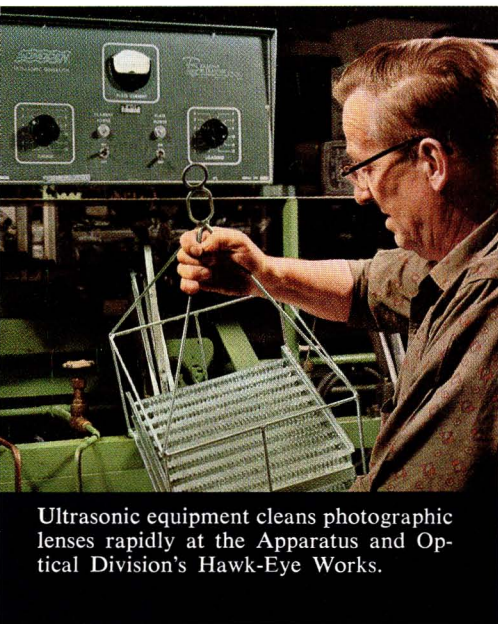
In short, 1961 was a year in which many additions, improvements, and replacements were made in company units in the U. S. and abroad. This work added further to the company's ability to meet the needs of customers in many fields by offering increased quantities of better products at attractive prices.



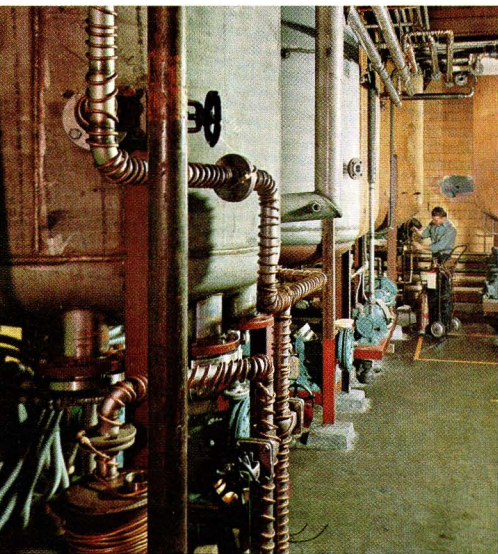
Added capacity for Kodak photographic papers and Verifax copy paper will be provided by this new paper-making machine which will be put in operation in 1962. The machine is designed to produce a continuous web of 150-inch-wide paper and will operate at speeds of up to 1,000 feet per minute.



New capacity,
improved equipment
added in 1961...



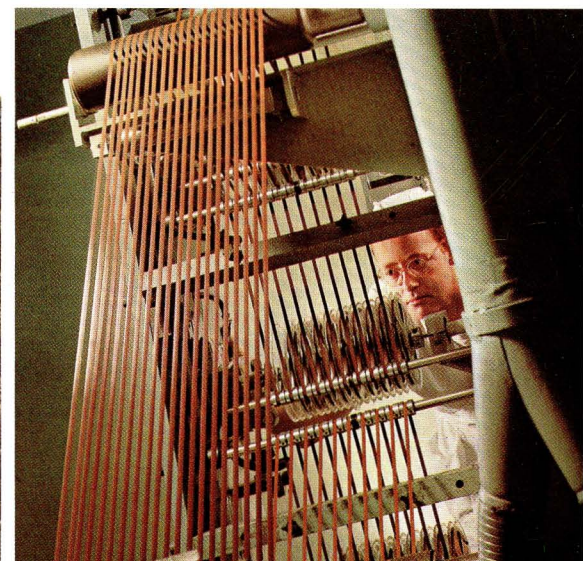
Ultrasonic equipment cleans photographic lenses rapidly at the Apparatus and Optical Division's Hawk-Eye Works.



Distillation Products Industries increased capacity to make Myvacet distilled acetylated monoglycerides for use in foods.



Texas Eastman built a 275-mile pipeline between its plant in Longview and gas storage facilities near Houston. Eight pipelines now connect Texas Eastman with sources of the petroleum gases it uses to make polyolefin plastics and industrial chemicals.



The Kodak Park Works installed special equipment to make high-quality magnetic sound recording tape.



A new type of camera shutter is made with this automatic machine at the Camera Works of the Apparatus and Optical Division.



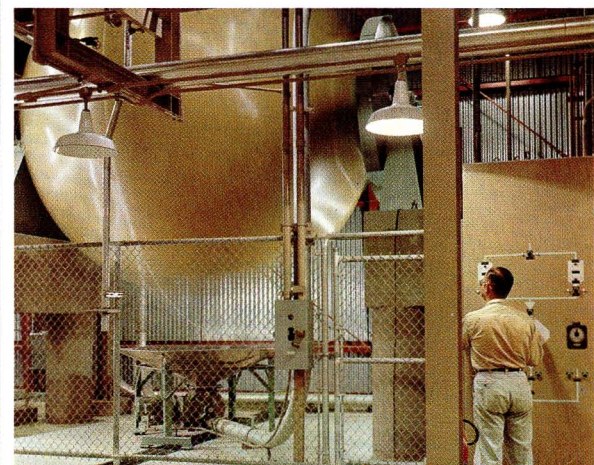
This plant at Tennessee Eastman will produce terephthalic acid for use in making Tenite polyester plastic, Kodel fiber, and Estar film base.



Tennessee Eastman is completing a new laboratory for development work on acids and other organic chemical products.



Equipment to process the new Kodachrome II color film has been installed in 10 Kodak Processing Laboratories throughout the United States and in 14 Kodak laboratories in other countries around the world.



Huge, 10-ton blenders at Texas Eastman maintain uniform quality in making Epolene resins for use in waxes and paper coatings.



Expansion of Kodak Ltd.'s color processing laboratory at Hemel Hempstead, England, was one of many improvements in Kodak units abroad.



Quiet please! Artists
at work. (Kodacolor
Film, 1/30 sec. at f/2.8)

Financial Review:

Fourth-quarter gains result in higher sales and earnings

A sharp rise in fourth-quarter sales and an even better gain in earnings lifted sales and earnings for the year 1961 above those of any prior year. The 14 percent increase in sales for this quarter, compared with 1960, reflected both the strong demand for most company products in this period of general business improvement and the inclusion of a fifty-third week in the company's 1961 fiscal year, as explained on page 34.

Sales Higher

Sales for the fifty-three weeks of 1961 totaled \$989.2 million and were almost 5 percent ahead of last year.

Domestic sales, exclusive of sales to the Federal Government and defense contractors, totaled \$800.6 million, an increase of 4 percent over 1960.

Regular products and special military items supplied to the Federal Government and defense contractors amounted to \$72.8 million, up \$10.5 million from last year. This business was somewhat more than 7 percent of total sales in 1961 and slightly less than 7 percent in 1960.

Combined shipments to foreign dealers and to Kodak associate companies outside the U.S. totaled \$115.8 million, up 2 percent

from a year ago. Exports of photographic products increased in 1961 but there was a slight decrease in the value of shipments of plastics and industrial chemicals, resulting primarily from the effects of increasing competition and lower prices in overseas markets. Some export business formerly done directly with foreign dealers is now handled through recently established associate companies, and this was largely responsible for the decrease in sales to foreign dealers in 1961, which was more than offset by the rise in exports to associate companies.

Earnings for Year Rise

Earnings from operations for the year were \$241.9 million. This was more than 4 percent ahead of a year ago and marked a reversal from the 5 percent lag reported for the first three quarters.

The sharp rise in fourth-quarter earnings was due to several factors. The generally higher production level favorably influenced manufacturing costs. The demand for photographic equipment, particularly several newly introduced products, was very good. Advertising and sales promotion, which were stepped up when sales were lagging, were further intensified. However, the total of sales,

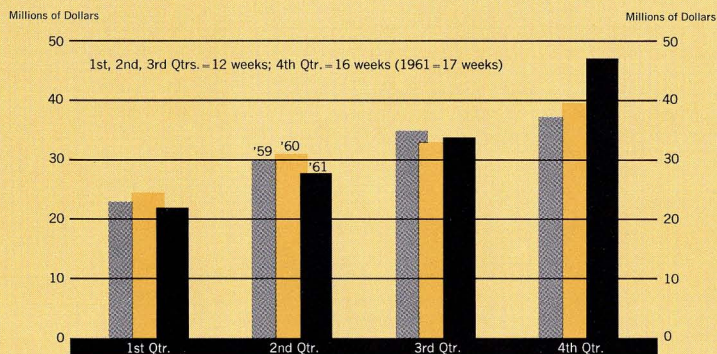
advertising, distribution, and administrative expenses rose less rapidly than sales in the final quarter and reflected, in part, the results of tightened management controls. There has been no reduction in expenditures for research and development, which continued at a rate substantially above last year. The extra week in the company's 1961 fourth quarter mentioned above also influenced the comparison with last year. The rate of earnings from operations to sales for the year was 24.4 percent — virtually the same as in 1960.

Pre-tax earnings of \$268.7 million for the year were 3.5 percent more than in 1960. Interest income was down substantially from last year principally as a result of lower interest rates in 1961. Dividends from Kodak associate companies outside the U.S., however, were \$0.5 million higher and totaled \$12.6 million.

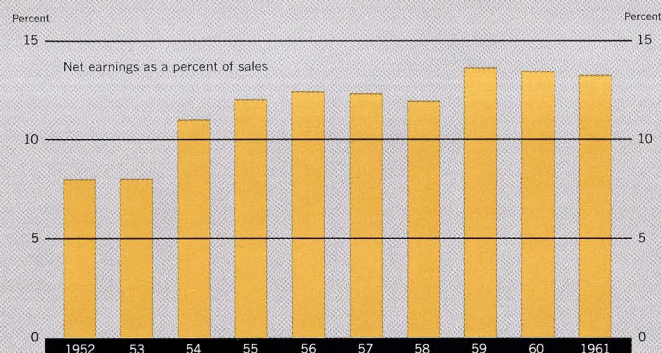
The provision for U.S., state, and foreign income taxes of \$138.5 million compared with a similar provision of \$132.5 million a year ago. The increase resulted from a slightly higher effective tax rate in 1961 as well as the larger earnings.

Net earnings for the year were \$130.2 million or 2.5 percent above last year. They represented 13.2 percent of sales or \$3.38 per

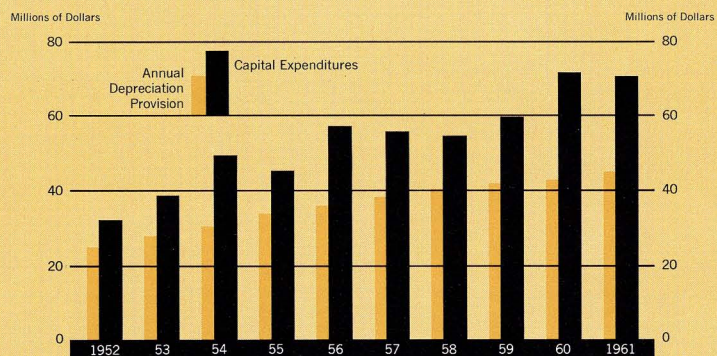
Net earnings rise sharply in 1961 fourth quarter



Earnings rate maintained at good level



Investment in additions and improvements continued



share of common stock compared with 13.4 percent of sales and \$3.30 per share for 1960.

Dividends Up

Cash dividends of \$0.50 per share were declared on the common shares in each of the four quarters of 1961. In the fourth quarter the directors also declared an extra dividend of \$0.25 per share, bringing the total 1961 dividends to \$2.25 per common share compared with \$2.10 last year.

Cash dividends declared on the common and preferred shares totaled \$86.6 million. This was an increase of 7 percent over 1960 and represented approximately 66 percent of 1961 net earnings.

Capital Expenditure Program Continues

During 1961 the company invested \$70.7 million in additions and improvements to properties, plant, and equipment compared with \$72.0 million in 1960. About \$30.8 million of the 1961 total was invested in facilities at Rochester, New York, and \$32.1 million was spent in connection with company operations at Kingsport, Tennessee, and Longview, Texas.

The directors have approved a budget of \$71.5 million for capital expenditures in 1962. As in the past, management will review each project in the light of current conditions before actual expenditures are begun.

The company continued in a sound financial position throughout 1961. It has no long-term debt and the total of cash and marketable securities exceeded current liabilities at the end of the year.

Cash and marketable securities increased about \$16.4 million during the year and totaled \$341.7 million at year-end, when such funds are at their seasonal peak. Almost all of the securities were obligations of the United States Government and at the year-end the average maturity was slightly more than 11 months.

Receivables were \$130.9 million and rose 13 percent from a year ago. The primary factor in this rise was the strong demand for the company's products in the final weeks of 1961. Inventories were up 5 percent from the 1960 year-end largely as a result of planned increases in stocks of certain raw materials such as silver bullion.

Working Capital Increases

Working capital, the excess of current assets over current liabilities, totaled \$386.9 million at the close of the year, an increase of \$12.4 million since the beginning of the year.

Funds became available from:

Net earnings	\$130,203,447
Provision for depreciation	44,467,175
Miscellaneous items — net	2,348,362
Total	\$177,018,984

Funds were used for:

Dividends declared	\$ 86,581,941
Expenditures for additions and improvements to properties and equipment	70,659,058
Additional investments in foreign subsidiaries	7,340,693
Total	\$164,581,692
Increase in working capital	\$ 12,437,292

Other assets of \$35.8 million increased \$9.9 million during the year. This rise reflected principally the purchase of additional capital shares of Kodak (Australasia) Pty. Ltd. (99.8 percent owned at year-end), increased capital investments in several wholly owned associate companies abroad, and purchases of Eastman Kodak Company common stock in connection with the company's incentive and deferred compensation plan.

Outside the United States

Sales and Earnings of Associate Companies Show Continued Growth

Sales and earnings of the Kodak companies outside the United States set new records in 1961. Total sales of \$322.2 million were 16 percent more than in the previous year. While sales were higher in most countries, business was particularly good in Europe, where Kodak manufacturing and sales companies advanced even more rapidly than the expanding economy.

Earnings Higher

Total net earnings of almost \$30.5 million were \$4 million or 15 percent more than in 1960. In local currencies the rise in net earnings was actually more rapid than the gain in sales. When expressed in U.S. dollars, however, earnings were reduced about \$1.4 million as the net result of changes in foreign currency values during the year — principally declines in the value of the Brazilian and Canadian currencies.

Expenditures of \$25.6 million during the year for improvements and additions to property, plant, and equipment were 41 percent higher than in 1960. Canadian Kodak Co., Limited, opened a new color film processing laboratory in Vancouver, British Columbia, to provide better service to customers in western Canada and continued its long-range program for adding to and improving its facilities in Toronto, Ontario. Kodak Limited made extensive additions to its manufacturing facilities near London, England, and also provided new space for office operations. In France, Kodak-Pathé continued its program of expansion and modernization at its two plants in the suburbs of Paris, and construction has been started at the new plant being erected at Chalon about 200 miles southeast of Paris.

Kodak A.G. provided additional facilities at its plant in Stuttgart, Germany, for producing precision cameras and processing color films. This company also distributes an increasing amount of sensitized photographic goods throughout Germany. Kodak (Australasia) Pty. Ltd. is proceeding as planned in completing the various units of its entirely new and modern plant at Coburg (near Melbourne), and some of the operations have already been transferred from the old plant at Abbotsford.

During 1961, new buildings for sales and distribution were completed in Belgium, Malaya, and the Free Zone of Panama, and building projects are under way in a number of other countries to improve the company's sales and processing facilities.

Dividends Also Rise

The dividends received by the Eastman Kodak Company from its associate companies outside the United States totaled \$12.6 million. This was 4 percent more than last year and represented about 42 percent of the company's equity in their 1961 earnings. The balance of the earnings was retained to finance plant improvements and additions and to provide the working capital needed for the increased volume of business.

The Eastman Kodak Company equity in the net assets of these companies totaled \$191.5 million. The value of these assets is, of course, subject to all the risks and restrictions inherent in operations outside the United States. The company's investment in these assets appears in the Statement of Financial Condition at \$25.0 million after deducting reserves.

A summary of the financial data concerning the operations and net assets of these companies appears on page 35.

Kodak companies abroad record excellent gains



Statement of Financial Condition

EASTMAN KODAK COMPANY and Subsidiary Companies in the United States

NET ASSETS		Dec. 31, 1961	Dec. 25, 1960
Current Assets	Cash	\$ 59,637,810	\$ 23,749,334
	Marketable securities at cost (market value \$205,696,242)	207,103,849	241,632,837
	Receivables	130,882,977	115,448,957
	Inventories	166,691,561	158,358,107
	Prepaid charges applicable to future operations	3,753,703	4,012,802
	Total current assets	<u>\$568,069,900</u>	<u>\$543,202,037</u>
Current Liabilities	Payables	\$128,013,578	\$115,650,240
	Taxes—income and other (less \$75,000,000 U. S. Government securities for 1961, \$60,000,000 for 1960)	24,294,417	24,213,397
	Cash dividends payable January 2, 1962	28,827,669	28,841,456
	Total current liabilities	<u>\$181,135,664</u>	<u>\$168,705,093</u>
	WORKING CAPITAL	<u>\$386,934,236</u>	<u>\$374,496,944</u>
Properties	Buildings, machinery, and equipment, at cost	\$779,358,275	\$726,852,142
	Less: Reserves for depreciation	439,160,948	406,154,634
	Net balance of depreciable assets	<u>\$340,197,327</u>	<u>\$320,697,508</u>
	Land, at cost	10,539,002	9,435,245
	NET PROPERTIES	<u>\$350,736,329</u>	<u>\$330,132,753</u>
Other Assets	Investments in and advances to foreign subsidiary companies	\$ 25,034,902	\$ 17,694,209
	Sundry investments, receivables, and deposits	10,784,216	8,264,781
	Total other assets	<u>\$ 35,819,118</u>	<u>\$ 25,958,990</u>
	TOTAL NET ASSETS	<u>\$773,489,683</u>	<u>\$730,588,687</u>
OWNERSHIP OF NET ASSETS			
Capital Stock and Retained Earnings	PREFERRED STOCK:		
	\$3.60 cumulative, callable (123,314 shares, \$50 par, authorized):		
	Issued 106,498 shares		
	Less: In treasury 11,976 shares		
	Outstanding 94,522 shares	\$ 4,726,100	\$ 5,096,550
	COMMON STOCK (90,000,000 shares, \$10 par, authorized):		
	Issued 38,382,246 shares:		
	Par value—paid in by share owners or transferred from retained earnings	\$383,822,460	\$383,822,460
	Additional retained earnings transferred to capital	66,544,448	66,894,508
	Balance of retained earnings used in the business	318,396,675	274,775,169
	Ownership of common stock	<u>\$768,763,583</u>	<u>\$725,492,137</u>
	TOTAL, as above	<u>\$773,489,683</u>	<u>\$730,588,687</u>

(See notes on pages 34 and 35)

Statement of Earnings

		1961 (53 weeks)	1960 (52 weeks)
Sales	Sales to: Domestic customers	\$873,340,267	\$831,578,696
	Foreign dealers	38,117,796	48,769,486
	Foreign subsidiary companies	77,713,906	64,413,067
	TOTAL SALES	<u>\$989,171,969</u>	<u>\$944,761,249</u>
Costs	Cost of goods sold	\$545,771,421	\$524,511,532
	Sales, advertising, distribution, and administrative expenses	157,081,374	146,170,037
	Depreciation of properties and equipment	44,467,175	42,353,400
	Total costs and expenses	<u>\$747,319,970</u>	<u>\$713,034,969</u>
Earnings	EARNINGS FROM OPERATIONS	\$241,851,999	\$231,726,280
	Interest income	8,649,678	11,379,714
	Dividends received from foreign subsidiary companies	12,600,550	12,066,626
	Other income	5,601,220	4,389,483
	EARNINGS BEFORE INCOME TAXES	\$268,703,447	\$259,562,103
	Provision for United States, state, and foreign income taxes	138,500,000	132,500,000
	NET EARNINGS	<u>\$130,203,447</u>	<u>\$127,062,103</u>
Dividends	Cash dividends on capital stock:		
	Preferred	\$ 347,286	\$ 374,197
	Common at \$2.25 per share (\$2.10 in 1960)	86,234,655	80,504,573
	TOTAL CASH DIVIDENDS	<u>\$ 86,581,941</u>	<u>\$ 80,878,770</u>
Retained Earnings	Balance of current earnings retained and used in the business	\$ 43,621,506	\$ 46,183,333
	Retained earnings used in the business at beginning of year	274,775,169	228,591,836
	RETAINED EARNINGS USED IN THE BUSINESS at end of year	<u>\$318,396,675</u>	<u>\$274,775,169</u>
(See notes on pages 34 and 35)			

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Share Owners of Eastman Kodak Company:

In our opinion, the accompanying statements present fairly the consolidated financial position of Eastman Kodak Company and its subsidiary companies in the United States at December 31, 1961, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., February 21, 1962

Our examination of these statements, which we carried out as auditors elected at the annual meeting of share owners held on April 25, 1961, was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & Co.

Notes to Financial Statements

Receivables

Current receivables included \$17,093,756 in current accounts due from foreign subsidiary companies. Reserves of \$3,941,654 in 1961 and \$3,730,683 in 1960 have been deducted from total receivables.

Inventories

Inventories were valued generally at the lower of cost or market. For several years the last-in, first-out principle has been used to determine the cost of certain inventories. In 1961 these were about 13 percent of total inventories.

Payables

Payables included \$50,289,082 for the accrued wage dividend and company payments under the employees' savings and investment plan, and \$4,456,926 for the company's incentive and deferred compensation plan.

Taxes — Income and Other

The United States income tax returns of the company and its subsidiaries have been examined by the U.S. Internal Revenue Service through the year 1959. There are no taxes in controversy that are not covered by the tax liability which has been provided.

Properties and Reserves for Depreciation

Properties were valued at cost and depreciation was calculated on cost. Changes in property and reserve accounts in 1961 were:

	<i>Properties</i>	<i>Reserves</i>
Balance at December 25, 1960.....	\$736,287,387	\$406,154,634
Additions	70,659,058	44,467,175
	<u>\$806,946,445</u>	<u>\$450,621,809</u>
Dismantlements	17,049,168	11,460,861
Balance at December 31, 1961.....	<u>\$789,897,277</u>	<u>\$439,160,948</u>

Investments in and Advances to Foreign Subsidiary Companies

Investments have been stated at cost, or at the lower of cost or estimated value at recovery date for those investments recovered in former World War II areas, less reserves of \$15,478,276.

The increase of \$7,340,693 in these investments in 1961 reflected principally the purchase of additional capital shares of Kodak (Australasia) Pty. Ltd. (99.8 percent owned at year-end) and increased capital share investments in wholly-owned subsidiaries in France and Italy.

The company's equity in the net assets of the foreign subsidiary companies was \$191,469,000 and its equity in their earnings was \$30,360,000 as shown in the financial summary appearing on page 35. The dollar amounts in this summary should be considered in the light of conditions outside the U. S.

Sundry Investments, Receivables, and Deposits

The total included \$4,466,732 representing the cost of 59,977 shares of Eastman Kodak Company common stock purchased and held by the company in connection with its incentive and deferred compensation plan.

Additional Retained Earnings Transferred to Capital

The decrease of \$350,060 represented the excess of cash paid over \$50 par value per share of 7,409 shares of preferred stock purchased for the treasury in 1961.

Renegotiation and Price Redetermination — Defense Contracts

Most government and defense business is subject to review by the Renegotiation Board for determination of whether or not excessive profits have been made. Final agreements have been reached with the Board for all years through 1960.

Some contracts provide for review and redetermination of prices. Estimates have been made of the effect of price redetermination on sales and earnings and the accounts have been adjusted accordingly.

Retirement Plan

Benefits under the company's retirement plan are financed by company payments made either directly to the insurance company from which annuities are purchased for eligible employees, or to designated trustees (trust departments of prominent banks) for investment until such time as the funds are used for the purchase of annuities.

The 1961 provision for retirement costs was \$29.3 million and included certain supplemental payments made by the company. The total, excluding the supplemental payments, was approximately equal to the estimated cost of the pension credits earned in 1961 by all employees. Employees have a vested right in annuities after 15 years of service, and all such rights have been funded.

Fiscal Year

The company's fiscal year consists of thirteen periods ending on the last Sunday in December. Each of the thirteen periods normally includes four weeks, and therefore the company year normally covers only 364 days, or one day less than the 365 days in the conventional calendar year. This makes it necessary to include an extra week in the company's fiscal year once every five or six years, which is done by adding a fifth week to the thirteenth period. The company's 1961 fiscal year covered the 53 weeks ending December 31, 1961.

Financial data of subsidiary companies outside the United States

(Amounts expressed in thousands)		<i>Canada and Latin America 1961</i>	<i>British Isles and Continental Europe 1961</i>	<i>Africa, Asia, Australasia, and the Far East 1961</i>	Total (After Interterritory Eliminations)	
					1961	1960
Net Assets	Current assets	\$31,957	\$122,298	\$24,158	\$174,935	\$151,334
	Less: Current liabilities	14,990	52,077	15,024	79,341	62,280
	Net current assets	\$16,967	\$ 70,221	\$ 9,134	\$ 95,594	\$ 89,054
	Properties and other assets	13,631	61,221	21,525	96,337	79,550
	Total net assets	\$30,598	\$131,442	\$30,659	\$191,931	\$168,604
	Less: Interest of minority share owners . .	—	422	40	462	2,032
	Equity of the Eastman Kodak Company . . .	<u>\$30,598</u>	<u>\$131,020</u>	<u>\$30,619</u>	<u>\$191,469</u>	<u>\$166,572</u>
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Sales and Earnings	Sales	\$68,019	\$216,401	\$46,221	\$322,208	\$276,591
	Net earnings	<u>4,307</u>	<u>21,915</u>	<u>4,315</u>	<u>30,450</u>	<u>26,488</u>
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Eastman Kodak Company Equity In:	Net earnings	\$ 4,307	\$ 21,831	\$ 4,309	\$ 30,360	\$ 26,209
	Dividends	<u>3,882</u>	<u>7,862</u>	<u>957</u>	<u>12,601</u>	<u>12,067</u>

The U.S. dollar equivalents in the above summary were computed generally at official exchange rates applied as follows: (1) net current assets at fiscal year-end rates, (2) property, plant, and equipment and the related reserves for depreciation at average rates prevailing dur-

ing the year of acquisition of the assets, and (3) net earnings at average rates with the dollar equivalent adjusted for exchange differences resulting from the foregoing procedures.

Ten-year Review

(Data in thousands except per share and percent figures)

EASTMAN KODAK COMPANY AND SUBSIDIARY COMPANIES IN THE U. S.	1961	1960	1959	1958	1957	1956	1955	1954
Sales	\$989,172	\$944,761	\$914,100	\$828,801	\$798,283	\$761,690	\$714,444	\$633,458
Earnings before income taxes	268,703	259,562	257,180	206,912	200,408	200,162	184,842	144,969
Net earnings	130,203	127,062	124,680	98,912	98,108	94,162	85,600	69,822
—percent of sales	13.2%	13.4%	13.6%	11.9%	12.3%	12.4%	12.0%	11.0%
—per common share	\$ 3.38*	\$ 3.30*	\$ 3.23*	\$ 2.56*	\$ 2.54*	\$ 2.44*	\$ 2.22*	\$ 1.80*
Cash dividends declared—on preferred shares	347	374	386	370	370	370	370	370
—on common shares	86,235	80,505	69,019	54,655	51,794	48,432	42,513	35,674
—per common share	2.25*	2.10*	1.80*	1.42*	1.35*	1.26*	1.10*	.92*
Stock dividends or distributions declared on common shares	—	—	100%	—	—	5%	—	5%
Earnings retained	\$ 43,622	\$ 46,183	\$ 55,275	\$ 43,887	\$ 45,944	\$ 45,360	\$ 42,717	\$ 33,778
Common shares outstanding at close of year	38,382	38,382	38,382	19,191	19,191	18,277	18,277	17,403
Wages, salaries, and employee benefits	\$434,500	\$414,500	\$391,200	\$367,900	\$365,800	\$350,700	\$324,436	\$306,865
Taxes**	145,660	139,279	139,335	114,171	108,900	111,259	104,228	79,278
Current assets	568,070	543,202	512,103	457,038	417,107	379,208	352,376	310,434
Working capital	386,934	374,497	355,961	326,023	294,262	264,026	238,526	204,837
Land, buildings, machinery, and equipment								
Expenditures for additions and improvements	70,659	72,048	59,832	55,094	56,052	57,683	45,537	49,622
Depreciation charged to earnings	44,467	42,353	41,620	40,128	38,013	35,861	33,666	30,112
Total properties and equipment, at cost	789,897	736,287	687,035	640,554	600,718	564,329	518,103	483,077
Reserves for depreciation of properties and equipment	439,161	406,155	381,334	349,304	319,939	296,651	268,972	242,962
Total net assets (net worth)	773,490	730,589	684,763	631,076	587,188	541,244	495,885	453,176
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SUBSIDIARY COMPANIES OUTSIDE THE U. S.								
Sales	\$322,208	\$276,591	\$252,504	\$231,052	\$223,749	\$205,630	\$181,308	\$156,672
Net earnings (Eastman Kodak Company equity)	30,360	26,209	25,981	17,238	16,164	19,819	16,008	14,864
Dividends paid to Eastman Kodak Company	12,601	12,067	10,054	9,185	7,630	7,474	6,226	5,533

*Based on 38,382,246 shares outstanding as of December 31, 1961.

**Excluding social security taxes (which are included with wages, salaries, and employee benefits) and excise taxes.

Major Kodak Plants



1 Rochester, New York:

Kodak Park Works—Photographic films, papers, plates, photographic and other chemicals, and related products.

Apparatus and Optical Division (Camera Works, Hawk-Eye Works, and Lincoln Plant)—Still and motion-picture cameras, projectors, lenses, Recordak microfilming units, photofinishing equipment, other optical-mechanical products, and special equipment for the armed forces.

Distillation Products Industries Division—Vitamin concentrates and distilled monoglycerides.

2 Kingsport, Tennessee:

Tennessee Eastman Company Division—Man-made fibers, plastics, industrial chemicals, and materials for the manufacture of photographic film.

3 Longview, Texas:

Texas Eastman Company Division—Polyethylene and polypropylene plastics, chemicals for company units and for other industries.

4 Peabody, Massachusetts:

Eastman Gelatine Corporation—Gelatine for use chiefly in photographic films and papers.

5 Canada:

Canadian Kodak Co., Limited (Toronto)—Photographic films, papers, cameras, chemicals, and related products.

6 England:

Kodak Limited (plants at Harrow, Hemel Hempstead, Kirkby, and Stevenage)—Photographic films, papers, cameras, chemicals, and related products.

7 France:

Kodak-Pathé (plants at Vincennes, Sevrans, and Chalon-sur-Saône)—Photographic films, papers, chemicals, cameras, and related products.

8 Germany:

Kodak A.G. (Stuttgart)—Cameras, projectors, and related photographic equipment products.

9 Australia:

Kodak (Australasia) Pty. Ltd. (plants at Abbotsford and Coburg)—Photographic films, papers, cameras, and chemicals.

1953	1952
\$633,669	\$575,023
133,449	126,288
50,171	45,804
8.0%	8.0%
\$ 1.29*	\$ 1.18*
370	370
31,821	29,756
.82*	.77*
—	5%
\$ 17,980	\$ 15,678
17,400	16,555
\$305,000	\$266,000
87,489	84,682
293,730	265,630
188,856	179,885
38,964	32,237
27,375	24,573
443,766	413,919
221,070	200,550
419,398	400,490

\$139,669	\$131,609
11,298	12,379
4,965	4,803

