



THE MARKET

Eastman Kodak Company is the world's largest manufacturer and supplier of imaging products and services. Headquartered in Rochester, New York, Kodak is listed on the New York Stock Exchange, with business operations in over 150 countries and territories and nearly 80,000 employees.

Since its foundation in 1880, Kodak has maintained its leadership position in the global imaging industry with diversified businesses encompassing all aspects of silver halide and digital imaging technologies. Today, Kodak is primarily engaged

in the development, manufacture and distribution of traditional and digital imaging products, services and solutions, serving consumers, professional photographers, health care providers, entertainment industry and other commercial customers. Kodak employs its technology, market reach and a host of industry partnerships to provide innovative products and services for customers who need the information-rich content that images contain.

ACHIEVEMENTS

Kodak has been the world's number one supplier of photographic film for more than a century.

According to a new report by research firm IDC, Kodak has closed the gap in US sales volume with market leader Sony, selling just 10,000 units fewer than Sony in the third quarter of 2004. That gives Kodak a 19.8% market share with Sony at 20.0%.

In a report released by GFK in September 2004 on the Chinese digital camera market, Kodak is now number three in five key Chinese cities – Beijing, Shanghai, Xiamen, Chengdu and Xi'an – and fourth in the combined market of principal 21 cities across China.

In the first-ever digital camera satisfaction study released by JD Power & Associates, Kodak was ranked first in two digital camera segments (the two segments coincide with the greatest areas of market need) across four price segments.

Kodak is ranked second in the global digital radiography market, with a growing market share.

Following the acquisition of Kodak Versamark, Kodak has rapidly grown to become



the world's number one supplier of inkjet printing systems. Kodak has a portfolio of 1,300 patents related to inkjet technology.

Kodak is also the world's top seller of 4X6 photo thermal printers on the back of strong sales of Easyshare printer docks.

Kodak is the world number one in retail photo kiosks, in medical X-ray film processors and global sales of document scanners.

GFK reports that the Chinese market for digital cameras grew 252% in the first half of 2004. Kodak's digital camera sales grew 314% in the same period.

HISTORY

For more than 120 years, Kodak has defined the world of imaging.

In 1880, George Eastman, a junior bookkeeper with a bank, began producing photographic dry plates, for which he received a patent. This was the beginning of the Kodak Eastman Company. Eastman achieved great success in the dry plate business and soon set up The Eastman Dry Plate Company with businessman Henry A. Strong. In late 1881, Eastman finally quit from the Rochester Savings Bank, and invested all his energies into his newly formed company, pursuing photographic innovations.

In 1883, Eastman invented the photographic film, which revolutionized the industry. With the launch of the Kodak camera in 1888, Eastman

brought photography to the masses. After several transition periods, the company was finally renamed Eastman Kodak Company in 1892.

Eastman always understood the massive potential of the photography market, and in 1889, just five years after his company was established in the US, Eastman set up his first office in London to take care of international sales. Initially, all manufacturing was done in Rochester, but international demand soon outstripped the production capacity of the American factories. This led to the establishment of a factory in Harrow, London, in 1891 to produce photosensitive materials.

Kodak was one of the main sponsors of the first Olympiad of the modern era, in Athens in 1896.

By 1900, Kodak had reached France, Germany, Italy and other countries in Europe. Today, Kodak has production facilities in Canada, Mexico, Brazil, the UK, France, Germany, India, China and the US. Its products are sold in over 150 countries.



THE PRODUCT

Kodak invests about US\$800 million a year in R&D, ensuring that, while maintaining its market leadership in traditional photographic technologies, Kodak is also at the forefront of digital photography research. About 25% of the world's top-end digital cameras are fitted with Kodak's CCD chips.

Kodak has also established an R&D centre in Shanghai with an annual budget of tens of millions of renminbi. The centre focuses on photography software for developing countries with emerging digital photography markets. Established in 1998, two of the centre's products – Kodak Kiosk Digital system and Kodak Wedding Club Software – are now widely accepted by consumers in Asia and other parts of the world.

These products were developed in line with Kodak's new R&D strategy of developing products with international appeal. First, these products were market-oriented solutions designed to meet the needs of consumers in emerging markets. Secondly, the systems were designed in a modular approach so that production facilities in each country were still free to source hardware locally. This helps to cut costs by reducing expenditures on import tariff and service fees. Thirdly, the Shanghai centre works closely with Kodak's global R&D team and is able to tap into a wide range of Kodak's technology resources.

RECENT DEVELOPMENTS

Kodak's China strategy can be summed up in two E's and two T's.

The two E's are Extension and Expansion. Extension refers to the transfer of Kodak's leadership in traditional silver halide technologies to the digital sector. Expansion refers to the efforts of Kodak to build upon its market success in the coastal regions of China and penetrate the central and western regions of the country.

The two T's are Total Solutions and Total Satisfaction. Total Solutions means Kodak will not just provide individual products and services, but total comprehensive solutions in photography and the management, development and sharing of pictures. Total Satisfaction suggests that Kodak

will not just stop at providing excellent products and services but go all the way to pursue total customer satisfaction. Kodak aims to give consumers a "one-of-a-kind" feeling when they use its products.

A year ago, Kodak announced a new digital-driven market strategy, the results of which have exceeded expectations. Digital revenue increased 39% in the third quarter of 2004, well ahead of expectations of an annual 36% increase in revenue from digital products in the following three years. The balance sheet has also been strengthened, with debts falling to the lowest level since December 2002 and a free cash flow of US\$1 billion. Kodak expects to hit its earnings per share target of US\$3 in 2006, up from US\$2.44 - 2.64 in the year 2004.

The company has made great advancements in the area of acquisitions and strategic partnerships, particularly in the area of commercial printing, health imaging and entertainment imaging. Kodak is in the process

of securing more strategic partnerships. It recently announced its alliance with IBM. Recent acquisitions include: Health Imaging - PracticeWorks, a leading provider of dental practice management software, and Algotec, an innovator in medical imaging technology; Commercial Printing - Scitex Digital Printing (now renamed Versamark), the world leader in



high-speed, variable data inkjet printing systems; Entertainment Imaging - Laser Pacific Media, a leading Hollywood-based post-production company.

PROMOTION

As an internationally renowned brand, Kodak faces tough competition in the Chinese market. Currently, Kodak has already started to penetrate the second- and third-tier cities in China with its traditional film operations, and is working to develop and educate the western regions in line with the government's policy of opening up China's west.

BRAND VALUES

The Kodak brand name evolved over the last century to become Eastman Kodak Company's most valuable asset. It stands for quality, reliability and ease of usage. As an international brand, Kodak is the leader of the imaging industry.

In 1998, the China Product Competitiveness Survey revealed that 50% of people regarded Kodak as the ideal brand. 40% of respondents were Kodak customers, and 43% of respondents regarded Kodak as the top brand of choice in the 1999 survey.

In 1999, the National Consumer Survey indicated that Kodak film had a market share of 53.8%.

A CCTV Survey conducted among Chinese consumers in 2000 found that Kodak film had a 63.1% reach in China's key cities and was ranked number one.

An AC Nielsen survey of more than 30 Chinese cities in 2000 rated Kodak as one of top ten most popular international brands in China.

In MEDIA magazine's recent survey of the top 1000 Asian brands, Kodak was ranked third. 67.1% of respondents chose Kodak when asked what they thought was the best brand. In China, Kodak was voted top brand in all categories.

In 2001, Kodak was ranked 272 in a list of 500 companies in China ranked by sales volume. In 2002, the Far Eastern Economic Review named Kodak as one of Asia's leading companies.

In 2002, Kodak (China) Company Limited was named as China's most admired foreign investor and one of the companies that best embrace Chinese human resources by the Chinese Edition of FORTUNE. In 2002, a survey of China's most respected companies jointly conducted by Peking University's Case Research Centre and The Economic Observer rated Kodak (China) Company Limited seventh in a list of 20 top multinationals.

In 2003, a listing of the world's top 100 brands by brand value announced by Business Times and InterBrand rated Kodak once again as the world's top photography brand, with a brand value of US\$7.8 billion.

In 2004, the Peking University Business Review selected Kodak among China's Top 100 Most Valuable Consumer Brands.

THINGS YOU DIDN'T KNOW ABOUT KODAK

- Kodak introduced the world's first digital camera in 1975
- Kodak unveiled the world's first one megapixel digital camera for commercial use in 1987, and the world's first one megapixel camera for mass consumers in 1994
- Kodak owns 1,300 patents related to inkjet technology
- Kodak was one of the main sponsors of the first Olympiad of the modern era, in Athens in 1896