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CORNING INC /NY
Form 8-K
July 23, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

Date of Report: (Date of earliest event reported) July 23, 2002

CORNING INCORPORATED
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation)	1-3247 (Commission File Number)	16-0393470 (I.R.S. Employer Identification No.)
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One Riverfront Plaza, Corning, New York (Address of principal executive offices)	14831 (Zip Code)
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(607) 974-9000
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Item 5. Other Events and Regulation FD Disclosure.

Item 7. Financial Statements and Exhibits.

Exhibits:

The Registrant's press release of July 23, 2002.

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SIGNATURES

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

CORNING INCORPORATED
Registrant

Date: July 23, 2002

By /s/ KATHERINE A. ASBECK
Katherine A. Asbeck
Senior Vice President and Controller

FOR RELEASE: July 23, 2002

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Corning Announces Second-Quarter Results

Company outlines restructuring programs
Details debt repurchases

CORNING, N.Y. -- Corning Incorporated (NYSE: GLW) today announced that its second-quarter sales were \$896 million and that it incurred a net loss of \$370 million, or \$0.39 per share. The loss included restructuring and impairment charges of \$494 million (\$342 million after-tax), or \$0.36 per share, and a gain resulting from debt repurchases of \$68 million (\$42 million after-tax), or \$0.04 per share.

"Second-quarter revenues were in line with our expectations," said James R. Houghton, chairman and chief executive officer. He said that while sales in the telecommunications sector continue to be severely depressed, most of Corning's businesses outside of telecommunications, such as the liquid crystal display business, are profitable and experiencing solid growth. Houghton said, "Excluding special items, our net loss was somewhat better than expected."

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Second-Quarter Operating Results

Second-quarter sales of \$896 million were essentially even with first-quarter sales of \$898 million. Sales reflect increases in the advanced materials and information display segments, offset by a 6% decline in the telecommunications segment. This sequential decline in telecommunications was primarily due to flat shipments and price declines of 10% to 15% in the optical fiber and cable business. The company said that fiber volume did not improve as expected due to lower-than-anticipated demand from North American incumbent carriers and cable television operators.

(more)

Corning Announces Second-Quarter Results

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The increasing popularity of flat-panel desktop monitors, notebook computers, portable electronic devices and projection televisions drove a 9% sequential sales improvement in Corning's information display segment. Sales in the advanced materials segment grew 4% primarily due to gains in the Environmental Technologies business.

"We continue to be encouraged with the quarter-to-quarter growth in our information display segment and environmental technologies business," James B. Flaws, vice chairman and chief financial officer, said, "However, there is no question that the market turmoil caused by several customer bankruptcies and ongoing accounting controversies negatively impacted capital expenditures among our telecommunications customers in North America."

Corning reported that it had \$1.3 billion in cash and short-term investments at the end of the second quarter, down from \$1.8 billion at the end of the first quarter. The decline in cash and short-term investments was due primarily to approximately \$480 million of debt and commercial paper repayments. Flaws said, "We are pleased with the significant improvement in operating cash flow compared to the first quarter. Our efforts to control our cash burn rate are paying off."

In the second quarter of 2001, Corning reported sales of \$1.9 billion and a loss of \$4.8 billion or \$5.13 per share. The loss included a \$4.8 billion goodwill impairment charge. The year-to-year sales decline reflects the significant falloff in the fiber and cable business which began in the third quarter of last year.

Restructuring and Impairment Charges

In this year's second quarter, Corning recorded restructuring and impairment charges totaling \$494 million (\$342 million after-tax), or \$0.36 per share. In April the company said that it expected to take total restructuring and impairment charges in the range of \$600 million pretax spread over the second and third quarters of 2002. The second quarter pretax charges include:

- .. \$418 million (\$281 million after-tax) of restructuring and impairment charges related to workforce reductions and facility closures.
- .. \$60 million (\$37 million after-tax) impairment of cost investments in the telecommunications segment.
- .. \$16 million (\$10 million after-tax) loss on the divestiture of the appliance controls business.

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.. \$14 million after-tax charge to impair an international cabling equity investment which is included in equity earnings.

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Corning expects third-quarter pretax restructuring charges to be in the range of \$125 million to \$150 million based on actions already underway. Approximately one-third of the charges for the second and third quarters will be cash.

As part of the company's restructuring and cost reduction efforts, Corning has planned workforce reductions of approximately 4,400 employees including 2,700 salaried positions. Additionally, the company has announced that it will close several manufacturing and research facilities as it consolidates and reduces cost in its global telecommunications businesses as well as in its corporate research and administrative staff organizations.

In addition to the restructuring actions, Corning has implemented significant cost reduction programs across its existing businesses and staff functions. The company expects to realize annualized savings of approximately \$265 million from both the restructuring and cost reduction programs by the beginning of 2003. Cost savings in the second half of 2002 should be approximately \$55 million as these programs are implemented.

"Corning is reviewing a number of other actions to further reduce both the cost structure and capital requirements of the businesses going forward," Flaws said. "This could include the potential sale or discontinuation of some non-core businesses. Additional consolidation of manufacturing capacity within our telecommunications segment is also possible." He said the exact timing or outcome of these reviews has not yet been determined but could result in additional charges this year.

Gain on Debt Repurchase

Also in the second quarter, Corning recorded a gain of \$68 million (\$42 million after-tax), or \$0.04 per share, due to the repurchase of \$220 million in accreted value of its zero coupon convertible debentures due 2015 for \$148 million in cash in a series of open market transactions. Corning said that it may, from time to time, repurchase certain additional Corning debt securities in open market or privately negotiated transactions.

(more)

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Third-Quarter Outlook

Corning said it anticipates that third-quarter sales will be in the range of \$825 million to \$875 million and its net loss will be in the range of \$0.07 to \$0.10 per share, excluding previously announced restructuring and impairment charges. The primary driver of the range will be fiber and cable volume which is expected to be flat to down 15%. Corning said continued price pressure will also impact revenues. Sales in the rest of the telecommunications businesses are also expected to remain at depressed levels. The company said it expects revenues from its advanced materials and information display segments to remain strong in the third quarter led by its liquid crystal display business, which continues to operate at full capacity. Third-quarter results are expected to reflect the positive impact of cost reduction programs; however implementation costs and continued weakening of the fiber and cable business could largely offset these gains.

Houghton said, "We are disappointed that the issues affecting the telecommunications industry are resulting in reduced confidence and a new round of carrier capital spending reductions. If this trend continues, we will take out more cost. Our commitment to achieving profitability in 2003 is unwavering. While we find the difficulties facing the telecommunications industry to be significant, we are fortunate to have growth opportunities in our information display and advanced materials segments. We plan on extending our market-leading positions in these segments and we are prepared to take advantage of our optical communications market leadership when increased capital spending returns to the telecom space."

About Corning Incorporated

Established in 1851, Corning Incorporated (www.corning.com) creates leading-edge technologies for the fastest-growing markets of the world's economy. Corning manufactures optical fiber, cable and photonic products for the telecommunications industry; and high-performance displays and components for television, information technology and other communications-related industries. The company also uses advanced materials to manufacture products for scientific, semiconductor and environmental markets. Corning revenues for 2001 were \$6.3 billion.

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Corning Announces Second-Quarter Results
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Conference Call Information

The company will host a conference call at 8:30 a.m. EST on Wednesday, July 24, 2002. To access the call, dial (630) 395-0020. The password is Corning. The

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leader is Dietz. A replay of the call will begin at approximately 10:30 a.m. EST and will run through 5 p.m. EST on Tuesday, August 6, 2002. To access the replay, dial (402) 220-3559; a password is not required. A live audio webcast will be available at www.corning.com/investor_relations/ and will remain there for 14 days following the call.

Forward-Looking and Cautionary Statements

This press release contains forward-looking statements that involve a variety of business risks and other uncertainties that could cause actual results to differ materially. These risks and uncertainties include the possibility of changes or fluctuations in global economic conditions; currency exchange rates; product demand and industry capacity; competitive products and pricing; availability and costs of critical components and materials; new product development and commercialization; order activity and demand from major customers; capital spending by larger customers in the telecommunications industry and other business segments; the mix of sales between premium and non-premium products; possible disruption in commercial activities due to terrorist activity and armed conflict; ability to obtain financing and capital on commercially reasonable terms; acquisition and divestiture activities; the level of excess or obsolete inventory; the ability to enforce patents; product and components performance issues; and litigation. These and other risk factors are identified in Corning's filings with the Securities and Exchange Commission. Forward-looking statements speak only as of the day that they are made, and Corning undertakes no obligation to update them in light of new information or future events.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited; in millions, except per share amounts)

	For the three months ended June 30,		For th
	2002	2001	2002
Net sales	\$ 896	\$ 1,868	\$ 1,7
Cost of sales	682	1,339	1,3
Gross margin	214	529	4
Operating expenses			
Selling, general and administrative expenses	190	262	3
Research, development and engineering expenses	132	171	2
Amortization of purchased intangibles	11	10	
Amortization of goodwill		150	
Restructuring, impairment and other charges	494	4,772	4
Operating loss	(613)	(4,836)	(7

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Interest income	10	11	
Interest expense	(44)	(34)	
Gain on repurchases of debt	68		
Other expense, net		(12)	
	-----	-----	-----
Loss before income taxes	(579)	(4,871)	(7)
(Benefit) provision for income taxes	(178)	(77)	(2)
	-----	-----	-----
Loss before minority interest and equity earnings	(401)	(4,794)	(5)
Minority interest in losses (earnings) of subsidiaries	6	(7)	
Equity in earnings of associated companies	25	46	
	-----	-----	-----
Net loss	\$ (370)	\$ (4,755)	\$ (4)
	=====	=====	=====
Basic and diluted loss per share	\$ (0.39)	\$ (5.13)	\$ (0.)
	=====	=====	=====
Net loss adjusted for the impact of SFAS No. 142 in 2001	\$ (370)	\$ (4,652)	\$ (4)
	=====	=====	=====
Basic and diluted loss per share adjusted for the impact of SFAS No. 142 in 2001	\$ (0.39)	\$ (5.02)	\$ (0.)
	=====	=====	=====
Dividends declared per common share	\$	\$ 0.06	\$
	=====	=====	=====
Shares used in computing per share amounts for basic and diluted loss per share	948	926	9
	=====	=====	=====

The accompanying notes are an integral part of these statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

	Unaudited June 30, 2002	December 2001
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 940	\$ 1,0
Short-term investments, at fair value	383	1,1
	-----	-----
Total cash and short-term investments	1,323	2,2
Trade accounts receivable, net of doubtful accounts and allowances - \$63, \$60 and \$42	605	5
Inventories	671	7

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Deferred income taxes	400	3
Other current assets	333	2
	-----	-----
Total current assets	3,332	4,1
Investments:		
Associated companies, at equity	666	6
Others, at cost or fair value	74	1
	-----	-----
Total investments	740	7
Property, plant and equipment, at cost, net of accumulated depreciation - \$3,302, \$3,101 and \$2,921	4,757	5,0
Goodwill, net of accumulated amortization - \$661, \$661 and \$583	2,000	1,9
Other intangible assets, net of accumulated amortization - \$109, \$90 and \$75	390	3
Other assets	667	5
	-----	-----
Total Assets	\$ 11,886	\$ 12,7
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Loans payable	\$ 57	\$ 4
Accounts payable	310	4
Other accrued liabilities	1,052	1,0
	-----	-----
Total current liabilities	1,419	1,9
Long-term debt	4,285	4,4
Postretirement benefits other than pensions	614	6
Other liabilities	379	1
Commitments and contingencies		
Minority interest in subsidiary companies	107	1
Convertible preferred stock	7	
Common shareholders' equity:		
Common stock, including excess over par value and other capital - Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1.0 billion	10,028	10,0
Accumulated deficit	(4,070)	(3,6
Cost of 74 million, 79 million and 77 million shares of common stock in treasury	(775)	(8
Accumulated other comprehensive loss	(108)	(1
	-----	-----
Total common shareholders' equity	5,075	5,4
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 11,886	\$ 12,7
	=====	=====

The accompanying notes are an integral part of these statements.

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CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

	For the six months June 30,
	2002
Cash flows from operating activities:	
Net loss	\$ (460)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:	
Amortization of purchased intangibles	22
Amortization of goodwill	
Depreciation	329
Restructuring, impairment and other charges	494
Inventory write-down	
Gain on repurchases of debt	(68)
Stock compensation charges	2
Equity in earnings of associated companies less than (in excess of) dividends received	28
Minority interest, net of dividends paid	(12)
Deferred tax benefit	(107)
Tax benefit on stock options	
Interest expense on convertible debentures	21
Restructuring payments	(116)
Changes in certain working capital items	(201)
Other, net	(80)

Net cash (used in) provided by operating activities	(148)

Cash flows from investing activities:	
Capital expenditures	(213)
Acquisitions of businesses, net of cash acquired	
Net proceeds from sale or disposal of assets	36
Net increase in long-term investments and other long-term assets	(9)
Short-term investments - acquisitions	(847)
Short-term investments - liquidations	1,648
Other, net	(2)

Net cash provided by (used in) investing activities	613

Cash flows from financing activities:	
Net (repayments) borrowings of short-term debt	(474)
Proceeds from issuance of long-term debt	11
Repayments of long-term debt	(155)
Proceeds from issuance of common stock	33
Redemption of common stock for income tax withholding	
Dividends paid	

Net cash (used in) provided by financing activities	(585)

Effect of exchange rates on cash	23

Cash used in continuing operations	(97)

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Cash used in discontinued operations	-----	
Net decrease in cash and cash equivalents		(97)
Cash and cash equivalents at beginning of year		1,037

Cash and cash equivalents at end of period	\$	940
	=====	

The accompanying notes are an integral part of these statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Quarter 2, 2002

1. Operating Segments

Corning's reportable operating segments consist of Telecommunications, Advanced Materials and Information Display. Corning includes the earnings of equity affiliates that are closely associated with Corning's operating segments in segment net income. In the second quarter of 2002, Corning revised its definition of segment net income. Prior to the second quarter, Corning disclosed restructuring and impairment charges by segment but excluded this from quantitative segment results. These charges have been included in segment net income and historical periods have been conformed to this presentation. Information about the performance of Corning's three operating segments for the second quarter and six months of 2002 and 2001 is presented below. These amounts exclude revenues, expenses and equity earnings not specifically identifiable to segments.

Corning prepared the financial results for its three operating segments on a basis that is consistent with the manner in which Corning management internally disaggregates financial information to assist in making internal operating decisions. Corning has allocated some common expenses among segments differently than it would for stand alone financial information prepared in accordance with GAAP. Segment net income may not be consistent with measures used by other companies.

	Three months ended June 30,	
	2002	2001
	-----	-----
Telecommunications		
Net sales	\$ 437	\$ 1,393
Research, development and engineering expenses	\$ 86	\$ 134
Interest expense	\$ 25	\$ 23
Segment (loss) earnings before equity (losses) earnings and restructuring, impairment and other charges	\$ (139)	\$ (7)
Equity in (losses) earnings of associated companies	(3)	8
	-----	-----

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Segment (loss) earnings before restructuring, impairment and other charges	(142)	1
Restructuring, impairment and other charges, net of tax	(259)	(4,726)
	-----	-----
Segment net loss	\$ (401)	\$ (4,725)
	=====	=====
Advanced Materials		
Net sales	\$ 242	\$ 251
Research, development and engineering expenses	\$ 32	\$ 28
Interest expense	\$ 8	\$ 5
Segment earnings before equity earnings and restructuring charges	\$ 9	\$ 11
Equity in earnings of associated companies	12	7
	-----	-----
Segment earnings before restructuring charges	21	18
Restructuring charges, net of tax	(1)	
	-----	-----
Segment net income	\$ 20	\$ 18
	=====	=====
Information Display		
Net sales	\$ 212	\$ 218
Research, development and engineering expenses	\$ 14	\$ 9
Interest expense	\$ 9	\$ 6
Segment earnings before minority interest and equity earnings	\$ 8	\$ 25
Minority interest in losses (earnings) of subsidiaries	5	(7)
Equity in earnings of associated companies	29	29
	-----	-----
Segment net income	\$ 42	\$ 47
	=====	=====

Three months ended
June 30,

	2002	2001
	-----	-----
Total Segments		
Net sales	\$ 891	\$ 1,862
Research, development and engineering expenses	\$ 132	\$ 171
Interest expense	\$ 42	\$ 34
Segment (loss) earnings before minority interest equity earnings and restructuring, impairment and other charges	\$ (122)	\$ 29
Minority interest in losses (earnings) of subsidiaries	5	(7)
Equity in earnings of associated companies	38	44
	-----	-----
Segment (loss) earnings before restructuring, impairment and other charges	(79)	66
Restructuring, impairment and other charges, net of tax	(260)	(4,726)
	-----	-----
Segment net loss	\$ (339)	\$ (4,660)

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A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements is as follows (in millions):

	Three months ended June 30,	
	2002	2001
	-----	-----
Net sales		
Total segment net sales	\$ 891	\$ 1,862
Non-segment net sales (a)	5	6
	-----	-----
Total net sales	\$ 896	\$ 1,868
	=====	=====
Net loss		
Total segment net loss (b)	\$ (339)	\$ (4,660)
Unallocated items:		
Non-segment loss and other (a)	(1)	(2)
Amortization of goodwill (c)		(150)
Non-segment restructuring, impairment and other charges (d)	(127)	
Interest income (e)	10	11
Gain on repurchases of debt	68	
Income tax (f)	16	44
Minority interest	1	
Equity in earnings of associated companies (a)	2	2
	-----	-----
Net loss	\$ (370)	\$ (4,755)
	=====	=====

- (a) Includes amounts derived from corporate investments and activities.
- (b) Includes royalty, interest and dividend income.
- (c) Amortization of goodwill relates primarily to the Telecommunications segment.
- (d) Amount includes pension and postretirement benefit curtailment charges of \$30 million recorded in the second quarter of 2002. The balance of the charge relates to restructuring and impairment charges in the corporate research and administrative staff organizations.
- (e) Corporate interest income is not allocated to reportable segments.
- (f) Includes tax associated with unallocated items.

2. Restructuring, Impairment and Other Charges

2002 Restructuring Actions

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During the second quarter, Corning undertook actions to reduce its costs. The intent to do so was announced in April 2002. At that time, it was estimated that restructuring, fixed asset impairments, and impairments of investments could total approximately \$600 million and would be recorded over the second and third quarters.

Actions approved and initiated in the second quarter include the following:

- .. permanent abandonment of certain construction projects that had been stopped in 2001 in the fiber business within the Telecommunications Segment,
- .. closure of minor manufacturing facilities, primarily in the Telecommunications Segment,
- .. closure and consolidation of research facilities,
- .. elimination of 4,400 (includes 800 expected in Q3) positions worldwide through voluntary and involuntary programs, and
- .. divestiture of a portion of the controls and connectors business in the Telecommunications Segment.

In addition, Corning impaired cost based investments in a number of private telecommunications companies.

Certain of the costs associated with these activities (estimated at approximately \$120 million) will be recorded in the third quarter as all conditions for recognition had not been satisfied at June 30, 2002. These third quarter charges relate primarily to severance and fixed asset write-offs pertaining to facility closures outside the United States and early retirement programs.

These second quarter actions resulted in a net pre-tax charge totaling \$494 million (\$328 million after-tax) for the quarter ended June 30, 2002. The charge includes restructuring costs of \$204 million offset by a \$5 million reversal of the 2001 restructuring charge, \$224 million for the impairment of plant and equipment offset by a \$5 million reversal of the 2001 impairment charge, \$60 million for the impairment of cost investments and a \$16 million loss on divestiture. Approximately \$174 million of the charge recorded in the second quarter is expected to be paid in cash. As of June 30, 2002, approximately 1,600 of the 4,400 employees had been separated under the 2002 plans. Corning expects the remaining employees to be separated by March 31, 2003. Certain obligations of the plans will be paid in 2002 and beyond.

3. Gain on Repurchases of Debt

During the second quarter of 2002, Corning purchased and retired a portion of its zero coupon convertible debentures with an accreted value of \$220 million for cash of \$148 million in a series of open market repurchases. Corning recorded a gain of \$68 million on these transactions, net of the write-off of the unamortized issuance costs.

4. Income Taxes

Corning's effective income tax benefit rate for the three and six month periods ended June 30, 2002, was 30.7% and 29.5%, respectively. The tax benefit rate in the second quarter of 2002 was impacted by specific tax benefit calculations for restructuring, impairment and other charges and the gain on repurchases of debt. The effective benefit rate without consideration of these items was 25% in both 2002 periods. The effective tax benefit rate in the quarter and year to date is lower than the U.S. statutory income tax rate of 35% due to the impact of unusable tax credits and nondeductible expenses and losses.

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Federal tax legislation passed early in 2002 extended the net operating loss carryback period from two to five years. Corning anticipates incurring a federal tax net operating loss for 2002 and this change in the tax legislation will allow Corning to carryback the net operating loss to open tax years and claim a tax refund. Current assets at June 30, 2002, include a receivable of \$135 million as a result of Corning availing itself of this opportunity.

The effective tax (benefit) rate for the three and six months ended June 30, 2001, was 1.6% and (0.7)%. These tax rates are much lower than the U.S. statutory income tax rate primarily due to non-tax deductible impairment and amortization of acquired intangibles and goodwill.

5. Supplementary Statement of Cash Flows Data

Supplemental disclosure of cash flow information is as follows (in millions):

	For the six months ended June 30,	
	2002	2001
	-----	-----
Changes in certain working capital items:		
Trade accounts receivable	\$ 10	\$ 10
Inventories	27	(231)
Other current assets	(56)	124
Accounts payable and other current liabilities, net of restructuring payments	(182)	(209)
	-----	-----
Total	\$ (201)	\$ (306)
	=====	=====

6. Reclassifications

Certain amounts in 2001 have been reclassified to conform with 2002 classifications.

CORNING INCORPORATED
QUARTERLY SALES INFORMATION
(In millions)

	2002			
	Q1	Q2	Q3	Q4
	-----	-----	-----	-----
Telecommunications				
Fiber and cable	\$ 255	\$ 212	\$	\$
Hardware and equipment	135	153		
Photonic technologies (a)	36	39		

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Controls and connectors	39	33		
	-----	-----	-----	-----
Segment net sales	\$ 465	\$ 437	\$	\$
	=====	=====	=====	=====
Advanced Materials				
Environmental	\$ 94	\$ 102	\$	\$
Life sciences	70	74		
Other advanced materials	69	66		
	-----	-----	-----	-----
Segment net sales	\$ 233	\$ 242	\$	\$
	=====	=====	=====	=====
Information Display				
Display technologies	\$ 93	\$ 102	\$	\$
Conventional video components	43	41		
Precision lens	59	69		
	-----	-----	-----	-----
Segment net sales	\$ 195	\$ 212	\$	\$
	=====	=====	=====	=====
2001				
	-----	-----	-----	-----
	Q1	Q2	Q3	Q4
	-----	-----	-----	-----
Telecommunications				
Fiber and cable	\$ 875	\$ 939	\$ 779	\$
Hardware and equipment	248	231	187	
Photonic technologies	250	168	76	
Controls and connectors	60	55	47	
	-----	-----	-----	-----
Segment net sales	\$ 1,433	\$ 1,393	\$ 1,089	\$
	=====	=====	=====	=====
Advanced Materials				
Environmental	\$ 108	\$ 96	\$ 90	\$
Life sciences	70	69	65	
Other advanced materials	104	86	79	
	-----	-----	-----	-----
Segment net sales	\$ 282	\$ 251	\$ 234	\$
	=====	=====	=====	=====
Information Display				
Display technologies	\$ 62	\$ 87	\$ 79	\$
Conventional video components	86	73	47	
Precision lens	53	58	57	
	-----	-----	-----	-----
Segment net sales	\$ 201	\$ 218	\$ 183	\$
	=====	=====	=====	=====

(a) Optical network devices business has been combined with photonics technologies for all periods presented.

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CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited; in millions, except per share amounts)
Q2 '02 vs. Q1 '02

	For the three months June 30, 2002	Ma
	-----	---
Net sales	\$ 896	\$
Cost of sales	682	---
	-----	---
Gross margin	214	
Operating expenses:		
Selling, general and administrative expenses	190	
Research, development and engineering expenses	132	
Amortization of purchased intangibles	11	
Restructuring, impairment and other charges	494	
	-----	---
Operating loss	(613)	
Interest income	10	
Interest expense	(44)	
Gain on repurchases of debt	68	
Other expense, net		
	-----	---
Loss before income taxes	(579)	
Benefit for income taxes	(178)	
	-----	---
Loss before minority interest and equity earnings	(401)	
Minority interest in losses of subsidiaries	6	
Equity in earnings of associated companies	25	
	-----	---
Net loss	\$ (370)	\$
	=====	==
Basic and diluted loss per share	\$ (0.39)	\$
	=====	==
Shares used in computing per share amounts for basic and diluted loss per share	948	
	=====	==

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CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)
Q2 '02 vs. Q1 '02

	For the three months ended June 30, 2002	M
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (370)	\$
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization of purchased intangibles	11	
Depreciation	166	
Restructuring, impairment and other charges	494	
Stock compensation charges	1	
Gain on repurchases of debt	(68)	
Equity in earnings of associated companies less than dividends received	5	
Minority interest, net of dividends paid	(6)	
Deferred tax benefit	(37)	
Interest expense on convertible debentures	11	
Restructuring payments	(58)	
Changes in certain working capital items	(56)	
Other, net	(70)	

Net cash provided by (used in) operating activities	23	

Cash flows from investing activities:		
Capital expenditures	(111)	
Net proceeds from sale or disposal of assets	31	
Net (increase) decrease in long-term investments and other long-term assets	(10)	
Short-term investments - acquisitions	(244)	
Short-term investments - liquidations	729	
Other, net	(1)	

Net cash provided by investing activities	394	

Cash flows from financing activities:		
Net repayments of short-term debt	(331)	
Proceeds from issuance of long-term debt		
Repayments of long-term debt	(151)	
Proceeds from issuance of common stock	18	

Net cash used in financing activities	(464)	

Effect of exchange rates on cash	29	

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Net decrease in cash and cash equivalents	(18)
Cash and cash equivalents at beginning of period	958

Cash and cash equivalents at end of period	\$ 940
	=====

CORNING INCORPORATED
Schedule conforming historical segment
results to current presentation
For the quarters of 2001

	For the quarter ended,			
	March 31	June 30	Sept. 30	Dec.
	-----	-----	-----	-----
Telecommunications Segment				
Segment earnings (loss) before restructuring and impairment	\$ 180	\$ 1	\$ 18	\$ (2)
Restructuring and impairment, net of tax		(4,726)	(222)	(1)
	-----	-----	-----	-----
Segment net income (loss)	\$ 180	\$ (4,725)	\$ (204)	\$ (4)
	-----	-----	-----	-----
Advanced Materials Segment				
Segment earnings (loss) before restructuring and impairment	\$ 32	\$ 18	\$ 8	\$ (
Restructuring and impairment, net of tax				(
	-----	-----	-----	-----
Segment net income (loss)	\$ 32	\$ 18	\$ 8	\$ (
	-----	-----	-----	-----
Information Display Segment				
Segment earnings before restructuring and impairment	\$ 41	\$ 47	\$ 39	\$
Restructuring and impairment, net of tax				(
	-----	-----	-----	-----
Segment net income	\$ 41	\$ 47	\$ 39	\$
	-----	-----	-----	-----
Total Segments				
Segment earnings (loss) before restructuring and impairment	\$ 253	\$ 66	\$ 65	\$ (2
Restructuring and impairment, net of tax		(4,726)	(222)	(2
	-----	-----	-----	-----
Segment net income (loss)	\$ 253	\$ (4,660)	\$ (157)	\$ (5
	-----	-----	-----	-----

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Reconciliation:				
Total segment net income (loss)	\$ 253	\$ (4,660)	\$ (157)	\$ (5)
Non-segment loss	(1)	(2)	(1)	(1)
Amortization of goodwill	(143)	(150)	(35)	(1)
Restructuring and impairment				
Interest income	24	11	15	
Income tax	(1)	44	(44)	
Equity in earnings of associated companies		2	2	
	-----	-----	-----	-----
Net income (loss)	\$ 132	\$ (4,755)	\$ (220)	\$ (6)
	=====	=====	=====	=====