Corning Incorporated (NYSE: GLW; www.corning.com) is a global supplier of advanced materials and technologies for the fastest-growing segments of the world’s economy. Corning manufactures optical fiber, cable, photonic products and related equipment for the communications industry; specialized glasses for LCD computer screens, high-performance television tubes, and semiconductor equipment manufacturing; ceramic substrates used throughout the automotive industry and across a growing range of stationary applications to improve air quality; and advanced microplates, high-density microarrays and other products used in biotechnology research. Corning has research, development and manufacturing facilities in North and South America, Europe, Asia, Africa and Australia.
## Financial Highlights:

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>$4,741.10</td>
<td>$3,831.90</td>
<td>$3,831.20</td>
<td>$3,327.50</td>
<td>$2,900.10</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>511.00</td>
<td>354.80</td>
<td>430.60</td>
<td>355.20</td>
<td>(130.30)</td>
</tr>
<tr>
<td>Income from discontinued operations, net of tax</td>
<td>4.80</td>
<td>66.50</td>
<td>30.90</td>
<td>(136.90)</td>
<td>29.00</td>
</tr>
<tr>
<td>Extraordinary charge, net of tax and minority interest.</td>
<td>(0.90)</td>
<td>(1.60)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$515.80</td>
<td>$421.30</td>
<td>$461.50</td>
<td>$217.40</td>
<td>$(102.90)</td>
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</tbody>
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## Diluted Earnings Per Share

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</thead>
<tbody>
<tr>
<td>Continuing operations</td>
<td>$1.95</td>
<td>$1.42</td>
<td>$1.71</td>
<td>$1.44</td>
<td>$0.49</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>0.02</td>
<td>0.25</td>
<td>0.11</td>
<td>0.54</td>
<td>0.11</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$1.97</td>
<td>$1.67</td>
<td>$1.82</td>
<td>$0.90</td>
<td>$0.38</td>
</tr>
</tbody>
</table>

### Net Sales (In millions)

<table>
<thead>
<tr>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,900.1</td>
<td>$3,327.5</td>
<td>$3,831.2</td>
<td>$3,831.9</td>
<td>$4,741.1</td>
</tr>
</tbody>
</table>

### Net Income (In millions)

<table>
<thead>
<tr>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
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<tr>
<td>$(103)</td>
<td>$217</td>
<td>$462</td>
<td>$421</td>
<td>$516</td>
</tr>
</tbody>
</table>

### Diluted Earnings Per Share

<table>
<thead>
<tr>
<th>1998</th>
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<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.38</td>
<td>$0.90</td>
<td>$1.82</td>
<td>$1.67</td>
<td>$1.97</td>
</tr>
</tbody>
</table>
To Our Shareholders:

1999 was a strong year for Corning, with nearly every major business delivering excellent results, and overall earnings per share increasing by 18%. This growth was fueled by continued rising demand in key, focused markets for our telecommunications, information display, and advanced materials business segments, combined with generally favorable conditions in the global economy. Highlights of the year included:

- The emergence of Corning’s LEAF® optical fiber as a worldwide standard for advanced telecommunications networks, with sales volume tripling over 1998.
- Photonics revenue growth of more than 60%, as the move to optical networking accelerated in response to Internet-driven bandwidth demand.
- Outstanding results from our liquid crystal display (LCD) glass business, with sales rising by more than 50%, helped by the proliferation of larger screens and new applications.
- Solid growth in environmental products, as our new generation of thin-wall catalytic converter substrates more than doubled its market share.
- Nearly 50% sales growth in advanced life science products for biotechnology research.
- Continued improvements in manufacturing effectiveness, which resulted in higher yields and increased margins.
- An unprecedented number of new product introductions and new technology initiatives by our research, development and engineering organizations.
- A 205% increase in market value.

Beyond these achievements, we undertook a series of mergers and acquisitions that promise to strengthen our position as a global leader in optical communications. The largest of these transactions were those involving Oak Industries, Siemens AG and BICC, plc, organizations whose technological capabilities and market access will substantially enrich our ability to deliver comprehensive optical networking solutions to our customers — the network systems providers.

Results

Sales for the year were $4.7 billion, a robust increase of 24% over 1998’s $3.8 billion. Net income from continuing operations before special items rebounded dramatically, up 32% to $503 million. Fully diluted earnings per share from continuing operations before special items also improved significantly to $1.92, up 26% compared to 1998’s $1.52. Return on average shareholder equity was 25%, and our balance sheet remained strong with year-end debt to capital at 41%.

Our steady, continuing repositioning of Corning in accordance with our long-term focused strategy enabled us to be at the crossroads of several global market trends that worked to our advantage throughout 1999. Key drivers of our performance included escalating competition in the telecommunications industry; the explosion of demand for information-carrying capacity, or bandwidth, due to electronic commerce and other Internet activity; the increasing use of LCD screens in desktop computers, hand-held devices and other applications; a record year for the automotive industry and the continued tightening of emission regulations; and the aggressive pace of pharmaceutical research in conjunction with rapid advances in gene mapping.

High demand for our products in the telecommunications and information display markets enabled our
key manufacturing facilities to operate at or near capacity. In addition, economic recovery in Asia helped to revitalize the semiconductor industry and pave the way for a new round of opportunities for our advanced optics unit.

A Global Leader in Optical Communications

While we executed well throughout the year, the merger and acquisition activity of the last quarter highlighted the strength of our underlying strategy, and sent a clear signal of Corning’s intention to be a long-term global leader in the rapidly emerging field of optical communications. The convergence of the telecommunications, information technology and entertainment industries has raised the stakes for network capacity and performance everywhere, and optical communications technologies have emerged as critical components of coming generations of ultra-high-capacity networks.

Corning’s industry-leading capabilities in optical fiber, cable and photonics have already made us a key partner to leading telecommunications systems and service suppliers around the world. Early in 1999 we further strengthened our international position with the acquisition of BICC’s telecommunications cable businesses and Optical Waveguides Australia subsidiary. But it was the transactions with Oak Industries and Siemens AG, initiated in the fall of 1999 and completed in the first quarter of 2000, that drove home the message of Corning’s strategy to a growing constituency of industry observers and market watchers.

Oak Industries, which merged with Corning through a January 2000 stock transaction, adds important dimensions to our opto-electronic product portfolio and our ability to provide comprehensive, end-to-end coverage of all areas of optical communications, from fiber and cable to amplifiers, modules, switches and hardware. Oak’s Lasertron subsidiary is a market leader in pump lasers, the key active component in optical amplifiers, and Lasertron is one of the few companies in the world with internal laser chip-making capability and packaging expertise. This acquisition, in combination with our own advanced research and development activity in laser technology, puts us in a strong competitive position. Other Oak divisions further complement Corning capabilities in network connectors and hardware.

Less than a week after the Oak merger, we acquired Siemens AG’s worldwide optical cable and hardware businesses, as well as the remaining 50% of our two co-investments with Siemens, Siecor Corporation and Siecor GmbH. The Siemens transaction brings to Corning a unique combination of product mix, market access and service capability on a global basis. Building on years of successful partnership with Siemens, we will now leverage these combined capabilities into a unified offering of state-of-the-art optical layer solutions for any network, anywhere in the world, and most importantly, present a single “face” to an increasing number of truly global, telecom network system customers.

Integrating these merged and acquired resources into our organization has been a major focus of our efforts in recent months. We have created a new operating unit, Corning Communications Europe, and made other adjustments to serve our newly expanded global customer base as effectively as possible. At the same time, we have reached out to independent merchant cablers that are major buyers of Corning optical fiber and assured them of our determination to maintain our strong relationships and unmatched service.

The Oak and Siemens deals are very significant, but they were not the only noteworthy transactions. In December we acquired Honeywell’s Optical Polymer Group (formerly with AlliedSignal) and Optovac, a leading manufacturer of calcium fluoride optics. And in
February 2000 we acquired British Telecom’s Photonics Technology Research Center, one of the world’s leading R&D facilities dedicated to optical communications technologies. As we move forward, we will continue to look for suitable merger and acquisition candidates in support of our strategic businesses.

We also will continue to invest in significant capacity expansions of our optical fiber and photonics operations, as we did in 1999. In the case of fiber, we will be increasing manufacturing capacity by 50% in 2000. In photonics, we are not only adding resources, but continuing to build on last year’s dramatic increases in yields through improved manufacturing operations.

Technology and Innovation

Over the past three years, we have nearly doubled our research, development and engineering spending in absolute terms, and increased the rate of spending from 5% to 8% of sales revenue. During this period, we also launched a major capital spending effort to upgrade our technology facilities around the world. The highlights of this program include:

- Doubling the square footage of our extensive R&D laboratories at Sullivan Park in Erwin, New York, and in Fontainebleau, France, with almost all of the incremental space dedicated to photonics technology.
- Constructing a full production scale optical fiber facility in Sullivan Park dedicated to developing new premium products.
- Acquiring scientists and laser technology from Bellcore and constructing a state-of-the-art, semiconductor ump laser R&D facility at Sullivan Park.
- Establishing an optical network test and modeling facility in Somerset, New Jersey.
- Implementing an optical routing/switching production facility in Garden Grove, California.
- Creating an optics and materials research laboratory in St. Petersburg, Russia.

Most importantly during this period, we have been able to attract more than 700 talented scientists and engineers, trained and experienced in the key technologies shaping our future. These additional people raise our total worldwide level to more than 1,500 in our Science and Technology Division. All of this talent is focused on opportunities that are carefully chosen and reviewed regularly by our top management team, which includes the Chief Technology Officer.

Our track record in creating innovative new products and intellectual property over the past three years, and over the longer term, testifies to the effectiveness of our technical efforts. Strengthened RD&E will be a key contributor to our future success, in combination with selecting the right markets and having the right customers to help guide us.

A Stronger Organization

We also made internal changes to ensure our continuing ability to meet market needs while optimizing our core business processes. As part of these changes, John W. Loose was named President and Chief Operating Officer of Corning Incorporated, and Norman E. Garrity was named Vice Chairman of Corning Incorporated.

John and Norm have built an exceptional partnership over the years, and this new arrangement will enable each of them to devote full attention to areas that increasingly require it. John’s broad international experience, combined with general management roles in several of our major businesses and his most recent hands-on experience successfully leading Corning Communications, will be especially valuable. Norm has been the engine behind our extraordinary company-wide improvements in manufacturing effectiveness and the refocusing and growth of our information display and advanced materials business segments. His new position will enhance our ability to attain world-class...
performance levels in all of our key business processes, as we integrate our acquisitions and strive to meet our customers’ ever-changing and expanding requirements. While making these changes, we continued our steady progress toward an integrated global infrastructure and the capacity build-out needed for the multiyear growth we anticipate in our key businesses. We added production capacity in our North Carolina facilities to keep up with demand for optical fiber, particularly LEAF fiber. We are doubling capacity at our plant in Kennebunk, Maine, to meet the continued ramp-up of the market for advanced life science products. We began construction on environmental products manufacturing facilities in China and South Africa, an LCD glass plant in Taiwan, and expansions of our LCD facilities in Japan, Korea, and the United States. And we continue to refine our processes for global collaboration among our research, development and engineering operations in the United States, France, Russia, and Japan.

**Outlook**

I am proud of the ability of Corning’s people not only to take all this activity in stride, but to continue to seek out new ways to become even better at everything we do. Corning has always been a great company, but every day seems to provide some new demonstration of its capacity for innovation and self-renewal. People throughout this vibrant, far-flung organization have clearly embraced the challenges and opportunities of the “new economy.” As they prepare for long-term leadership in some of its most critical and fastest-growing sectors, their professionalism is absolute, and their energy is off the charts. Our prospects for continued strong growth are excellent.

Roger G. Ackerman
Chairman and Chief Executive Officer
February 2002
Products + Services

Broadband Coaxial Interconnect Systems and Microwave Connectors

• Broadband
• Microwave

Clean Air Products

• Mobile Emissions and Automotive Catalytic Converters Products
• Industrial and Stationary Emissions Products
• Ceramic membrane filters for liquid filtration

Display Products

• Liquid Crystal Display Products
• Television Tube Glass Components
• Projection System Lenses and Optics

Genomics and Laboratory Science Products

• Laboratory Science Products

Lighting Products and Materials

• Aluminosilicate Tubing
• Automotive Lighting
• Crushed & Powdered Glass
• Macor
• Commercial/Residential PAR Lighting Components
• Pyrex Sheet
• Refractory Products
• Thin Sheet
• Vycor
• Vycor -UV
• Wafer Glass
Optical Communications Products

- Optical Fiber
- Crystal-Based Frequency Control Devices
- Cables and Hardware
- Optical Networking Devices
- Photonic Materials
- Photonic Technologies Products

Semiconductor Materials

- HPFS Fused Silica
- Fluoride Crystals
- Metrology Instrument
- Precision Optics
- ULE Zero Expansion Glass

Steuben Art Glass

- Product Catalog
- Customer Service
- Locations

(All information regarding products and services can be found at our website, www.corning.com)
### Supplemental Consolidated Balance Sheets

Corning Incorporated and Subsidiary Companies

#### (In millions, except share amounts)

#### Assets

**Current Assets**
- Cash $121.8 20.8
- Short-term investments, at cost, which approximates market value 158.6 38.4
- Accounts receivable, net of doubtful accounts and allowances – $19.9/1999; $18.1/1998 872.4 696.0
- Inventories 602.2 536.0
- Deferred taxes on income and other current assets 229.2 184.5

**Total current assets** 1,984.2 1,475.7

**Investments**
- Associated companies, at equity 421.9 323.9
- Others, at cost or fair value 82.5 53.3
- Plant and equipment, at cost, net of accumulated depreciation 3,201.7 2,783.9
- Goodwill and other intangible assets, net of accumulated amortization – $112.3/1999; $90.3/1998 506.7 506.2
- Other assets 329.0 321.3

**Total Assets** $6,526.0 $5,464.3

#### Liabilities and Shareholders’ Equity

**Current Liabilities**
- Loans payable $420.7 206.7
- Accounts payable 418.0 312.5
- Other accrued liabilities 715.3 608.8

**Total current liabilities** 1,554.0 1,128.0

**Other liabilities**
- Loans payable beyond one year 1,490.4 1,217.8
- Minority interest in subsidiary companies 284.8 346.1
- Convertible preferred securities of subsidiary 365.2
- Convertible preferred stock 13.5 17.9

**Common shareholders’ equity**
- Common stock, including excess over par value and other capital – par value $0.50 per share; Shares authorized: 500 million; Shares issued: 285.2 million/1999; 280.5 million/1998 1,359.3 1,042.3
- Retained earnings 1,790.0 1,451.1
- Less cost of 25.0 million/1999 and 34.4 million/1998 shares of common stock in treasury (656.0) (790.0)
- Accumulated other comprehensive income (loss) (30.6) 3.2

**Total common shareholders’ equity** 2,462.7 1,706.6

**Total Liabilities and Shareholders’ Equity** $6,526.0 $5,464.3

The accompanying notes are an integral part of these statements.