

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

	For the three months ended	
	March 31,	
	<u>2004</u>	<u>2003</u>
Net sales	\$ 844	\$ 746
Cost of sales	<u>544</u>	<u>546</u>
Gross margin	300	200
Operating expenses:		
Selling, general and administrative expenses	160	152
Research, development and engineering expenses	84	93
Amortization of purchased intangibles	10	9
Restructuring, impairment and other charges and (credits)	34	51
Asbestos settlement	<u>19</u>	<u>298</u>
Operating loss	(7)	(403)
Interest income	6	8
Interest expense	(36)	(40)
(Loss) gain on repurchases and retirement of debt, net	(23)	4
Other expense, net	<u>(4)</u>	<u>(14)</u>
Loss before income taxes	(64)	(445)
Benefit for income taxes	<u>(12)</u>	<u>(144)</u>
Loss before minority interests and equity earnings	(52)	(301)
Minority interests		37
Equity in earnings of associated companies	<u>107</u>	<u>59</u>
Net income (loss)	<u>\$ 55</u>	<u>\$ (205)</u>
Basic and diluted earnings (loss) per common share	<u>\$ 0.04</u>	<u>\$ (0.17)</u>
Shares used in computing per share amounts for:		
Basic earnings (loss) per common share	<u>1,358</u>	<u>1,200</u>
Diluted earnings (loss) per common share	<u>1,437</u>	<u>1,200</u>

Certain amounts for 2003 were reclassified to conform with 2004 classifications.

See Notes to Consolidated Financial Statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	<u>March 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,010	\$ 833
Short-term investments, at fair value	<u>451</u>	<u>433</u>
Total cash, cash equivalents and short-term investments	1,461	1,266
Trade accounts receivable, net	544	525
Inventories	504	467
Deferred income taxes	242	242
Other current assets	<u>190</u>	<u>194</u>
Total current assets	2,941	2,694
Investments	1,065	1,045
Property, net	3,640	3,620
Goodwill	1,730	1,735
Other intangible assets, net	155	166
Deferred income taxes	1,277	1,225
Other assets	<u>265</u>	<u>267</u>
Total Assets	<u>\$ 11,073</u>	<u>\$ 10,752</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Loans payable	\$ 313	\$ 146
Accounts payable	376	333
Other accrued liabilities	<u>1,008</u>	<u>1,074</u>
Total current liabilities	1,697	1,553
Long-term debt	2,553	2,668
Postretirement benefits other than pensions	609	619
Other liabilities	414	412
Commitments and contingencies		
Minority interests	30	36
Shareholders' equity:		
Preferred stock – Par value \$100.00 per share; Shares authorized: 10 million Series C mandatory convertible preferred stock – Shares issued: 5.75 million; Shares outstanding: 789 thousand and 854 thousand	79	85
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,407 million and 1,401 million	703	701
Additional paid-in capital	10,323	10,298
Accumulated deficit	(5,089)	(5,144)
Treasury stock, at cost; Shares held: 35 million and 58 million	(346)	(574)
Accumulated other comprehensive income	<u>100</u>	<u>98</u>
Total shareholders' equity	5,770	5,464
Total Liabilities and Shareholders' Equity	<u>\$ 11,073</u>	<u>\$ 10,752</u>

Certain amounts for 2003 were reclassified to conform with 2004 classifications.

See Notes to Consolidated Financial Statements.

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

	For the three months ended	
	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Net income (loss)	\$ 55	\$ (205)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of purchased intangibles	10	9
Depreciation	120	118
Restructuring, impairment and other charges and credits	34	51
Asbestos settlement	19	298
Loss (gain) on repurchases and retirement of debt, net	23	(4)
Undistributed earnings of associated companies	(29)	7
Minority interests, net of dividends paid		(37)
Deferred tax benefit	(40)	(178)
Interest expense on convertible debentures	2	7
Restructuring payments	(34)	(94)
Income tax refund		191
Tax benefit on stock options	6	
Changes in certain working capital items:		
Trade accounts receivable	(17)	(13)
Inventories	(32)	7
Other current assets	3	10
Accounts payable and other current liabilities, net of restructuring payments	(66)	(118)
Other, net	(9)	(26)
Net cash provided by operating activities	<u>45</u>	<u>23</u>
Cash flows from investing activities:		
Capital expenditures	(134)	(55)
Net proceeds from sale of precision lens business		9
Proceeds from sale or disposal of assets	9	13
Short-term investments - acquisitions	(302)	(427)
Short-term investments - liquidations	284	369
Restricted investments - liquidations	<u>2</u>	<u>3</u>
Net cash used in investing activities	<u>(141)</u>	<u>(88)</u>
Cash flows from financing activities:		
Net repayments of loans payable	(2)	(62)
Proceeds from issuance of long-term debt, net	396	
Repayments of long-term debt	(141)	(189)
Proceeds from issuance of common stock, net	11	3
Cash dividends paid to preferred shareholders	(2)	(3)
Proceeds from the exercise of stock options	<u>12</u>	
Net cash provided by (used in) financing activities	<u>274</u>	<u>(251)</u>
Effect of exchange rates on cash	<u>(1)</u>	<u>17</u>
Net increase (decrease) in cash and cash equivalents	177	(299)
Cash and cash equivalents at beginning of period	<u>833</u>	<u>1,426</u>
Cash and cash equivalents at end of period	<u>\$ 1,010</u>	<u>\$ 1,127</u>

Certain amounts for 2003 were reclassified to conform with 2004 classifications.

See Notes to Consolidated Financial Statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
SEGMENT RESULTS
(Unaudited; in millions)

Our segments were previously reported as Telecommunications and Technologies. Due to a change in our operating segments in the first quarter, effective January 1, 2004, we will report Telecommunications, Display Technologies, Environmental Technologies and Life Sciences as separate operating segments. Prior year information has been restated to conform to this new presentation.

	<u>Telecom- munications</u>	<u>Display Technologies</u>	<u>Environmental Technologies</u>	<u>Life Sciences</u>	<u>Unallocated and Other</u>	<u>Consolidated Total</u>
For the three months ended March 31, 2004						
Net sales	\$ 312	\$ 230	\$ 141	\$ 79	\$ 82	\$ 844
Research, development and engineering expenses (1)	\$ 25	\$ 16	\$ 20	\$ 9	\$ 14	\$ 84
Restructuring, impairment and other charges and (credits) (2)	\$ (4)				\$ 38	\$ 34
Interest expense (3)	\$ 16	\$ 11	\$ 5	\$ 1	\$ 3	\$ 36
(Benefit) provision for income taxes	\$ (23)	\$ 26	\$ 3	\$ 3	\$ (21)	\$ (12)
(Loss) income before minority interests and equity earnings (4)(5)	\$ (47)	\$ 53	\$ 6	\$ 5	\$ (69)	\$ (52)
Minority interests	1				(1)	
Equity in earnings of associated companies	<u>3</u>	<u>65</u>			<u>39</u>	<u>107</u>
Net (loss) income	<u>\$ (43)</u>	<u>\$ 118</u>	<u>\$ 6</u>	<u>\$ 5</u>	<u>\$ (31)</u>	<u>\$ 55</u>
For the three months ended March 31, 2003						
Net sales	\$ 352	\$ 117	\$ 115	\$ 73	\$ 89	\$ 746
Research, development and engineering expenses (1)	\$ 38	\$ 12	\$ 21	\$ 7	\$ 15	\$ 93
Restructuring, impairment and other charges and (credits) (2)	\$ (9)				\$ 60	\$ 51
Interest expense (3)	\$ 21	\$ 9	\$ 5	\$ 2	\$ 3	\$ 40
(Benefit) provision for income taxes	\$ (25)	\$ 6	\$ 2	\$ 4	\$ (131)	\$ (144)
(Loss) income before minority interests and equity (losses) earnings (4)(5)	\$ (60)	\$ 13	\$ 3	\$ 8	\$ (265)	\$ (301)
Minority interests (6)					37	37
Equity in (losses) earnings of associated companies	<u>(3)</u>	<u>24</u>	<u>2</u>		<u>36</u>	<u>59</u>
Net (loss) income	<u>\$ (63)</u>	<u>\$ 37</u>	<u>\$ 5</u>	<u>\$ 8</u>	<u>\$ (192)</u>	<u>\$ (205)</u>
For the three months ended June 30, 2003						
Net sales	\$ 347	\$ 135	\$ 117	\$ 72	\$ 81	\$ 752
Research, development and engineering expenses (1)	\$ 32	\$ 12	\$ 20	\$ 7	\$ 14	\$ 85
Restructuring, impairment and other charges and (credits) (2)	\$ (19)				\$ 68	\$ 49
Interest expense (3)	\$ 22	\$ 9	\$ 5	\$ 2	\$ 4	\$ 42
(Benefit) provision for income taxes	\$ (5)	\$ 11	\$ 2	\$ 2	\$ (44)	\$ (34)
(Loss) income before minority interests and equity (losses) earnings (4)(5)	\$ (53)	\$ 22	\$ 6	\$ 4	\$ (94)	\$ (115)
Minority interests					33	33
Equity in (losses) earnings of associated companies, net of impairments (7)	<u>(8)</u>	<u>31</u>	<u>(3)</u>		<u>40</u>	<u>60</u>
Net (loss) income	<u>\$ (61)</u>	<u>\$ 53</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ (21)</u>	<u>\$ (22)</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
SEGMENT RESULTS
(Unaudited; in millions)

	<u>Telecom- munications</u>	<u>Display Technologies</u>	<u>Environmental Technologies</u>	<u>Life Sciences</u>	<u>Unallocated and Other</u>	<u>Consolidated Total</u>
For the three months ended Sept. 30, 2003						
Net sales	\$ 370	\$ 144	\$ 121	\$ 70	\$ 67	\$ 772
Research, development and engineering expenses (1)	\$ 25	\$ 12	\$ 22	\$ 7	\$ 14	\$ 80
Restructuring, impairment and other charges and (credits) (2)	\$ (2)				\$ (8)	\$ (10)
Interest expense (3)	\$ 16	\$ 9	\$ 5		\$ 6	\$ 36
(Benefit) provision for income taxes	\$ (16)	\$ 13	\$ 2	\$ 1	\$ (30)	\$ (30)
(Loss) income before minority interests and equity earnings (4)(5)	\$ (28)	\$ 25	\$ 2	\$ 3	\$ (46)	\$ (44)
Minority interests					2	2
Equity in earnings of associated companies	<u>1</u>	<u>39</u>	<u>1</u>	<u>3</u>	<u>34</u>	<u>75</u>
Net (loss) income	<u>\$ (27)</u>	<u>\$ 64</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ (10)</u>	<u>\$ 33</u>
For the three months ended Dec. 31, 2003						
Net sales	\$ 357	\$ 199	\$ 123	\$ 66	\$ 75	\$ 820
Research, development and engineering expenses (1)	\$ 25	\$ 19	\$ 24	\$ 7	\$ 11	\$ 86
Restructuring, impairment and other charges and (credits) (2)	\$ (6)				\$ 27	\$ 21
Interest expense (3)	\$ 16	\$ 12	\$ 4	\$ 1	\$ 3	\$ 36
(Benefit) provision for income taxes	\$ (32)	\$ 15	\$ (1)		\$ (28)	\$ (46)
(Loss) income before minority interests and equity (losses) earnings (4)(5)	\$ (17)	\$ 31	\$ (2)	\$ (1)	\$ (56)	\$ (45)
Minority interests					1	1
Equity in (losses) earnings of associated companies	<u>(1)</u>	<u>50</u>	<u>2</u>	<u>(1)</u>	<u>(34)</u>	<u>15</u>
Net (loss) income	<u>\$ (18)</u>	<u>\$ 81</u>	<u>\$ (2)</u>	<u>\$ (1)</u>	<u>\$ (89)</u>	<u>\$ (29)</u>

- (1) Non-direct research, development and engineering expenses are allocated based upon direct project spending for each segment.
- (2) Related tax (expense) benefit:
 - Three months ended March 31, 2004: \$(1), \$0, \$0, \$0, \$15 and \$14.
 - Three months ended March 31, 2003: \$(4), \$0, \$0, \$0, \$12 and \$8.
 - Three months ended June 30, 2003: \$2, \$0, \$0, \$0, \$16 and \$18.
 - Three months ended September 30, 2003: \$2, \$0, \$0, \$0, \$(2) and \$0.
 - Three months ended December 31, 2003: \$17, \$0, \$0, \$0, \$6 and \$23.
- (3) Interest expense is allocated to segments based on a percentage of segment net operating assets. Consolidated subsidiaries with independent capital structures do not receive additional allocations of interest expense.
- (4) Many of Corning's administrative and staff functions are performed on a centralized basis. Where practicable, Corning charges these expenses to segments based upon the extent to which each business uses a centralized function. Other staff functions, such as corporate finance, human resources and legal are allocated to segments, primarily as a percentage of sales.
- (5) Includes an allocation of depreciation of corporate property, plant and equipment not specifically identifiable to a segment. Related depreciable assets are not allocated to segment assets.
- (6) Includes \$30 related to impairment of long-lived assets of Corning Asahi Video for the three months ended March 31, 2003.
- (7) Includes \$7 related to impairments of equity investments in the Telecommunications segment for the three months ended June 30, 2003.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
SEGMENT RESULTS
(Unaudited; in millions)

A reconciliation of reportable segment net income (loss) to consolidated net income (loss) follows:

	Three months ended				
	March 31, <u>2004</u>	March 31, <u>2003</u>	June 30, <u>2003</u>	Sept. 30, <u>2003</u>	Dec. 31, <u>2003</u>
Net income (loss) of reportable segments	\$ 86	\$ (13)	\$ (1)	\$ 43	\$ 60
Non-reportable operating segments net loss (1)	(18)	(21)	(26)	(1)	(91)
Unallocated amounts:					
Non-segment loss and other (2)	(3)	(15)	(14)	(4)	(18)
Non-segment restructuring, impairment and other (charges) and credits			(10)	(3)	
Asbestos settlement	(19)	(298)	(39)	(51)	(25)
Interest income	6	8	9	7	8
(Loss) gain on repurchases of debt	(23)	4	13	2	
Benefit for income taxes (3)	2	112	21	19	18
Equity in earnings of associated companies (4)	<u>24</u>	<u>18</u>	<u>25</u>	<u>21</u>	<u>19</u>
Net income (loss)	<u>\$ 55</u>	<u>\$ (205)</u>	<u>\$ (22)</u>	<u>\$ 33</u>	<u>\$ (29)</u>

- (1) Includes the results of non-reportable operating segments.
- (2) Includes the results of non-segment operations and other corporate activities.
- (3) Includes tax associated with non-segment restructuring, impairment and other charges.
- (4) Includes amounts derived from corporate investments, primarily Dow Corning Corporation.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Restructuring, Impairment and Other Charges and Credits

In the first quarter of 2004, we recorded net restructuring, impairment and other charges and credits totaling \$34 million (\$21 million after tax and minority interest). A summary of these charges and credits follow:

- We recorded \$39 million of accelerated depreciation and \$1 million of exit costs relating to the final shutdown of our semiconductor materials manufacturing facility in Charleston, South Carolina, which we previously announced in the fourth quarter of 2003.
- We recorded credits of \$6 million primarily related to proceeds in excess of assumed salvage values for assets that were previously impaired.

2. Asbestos Settlement

On March 28, 2003, we announced that we had reached agreement with the representatives of asbestos claimants for the settlement of all current and future asbestos claims against us and Pittsburgh Corning Corporation (PCC), which might arise from PCC products or operations. Accordingly, we recorded a charge of \$298 million (\$192 million after tax) in the first quarter of 2003. The charge included the value of 25 million shares of Corning common stock which we will contribute as part of the settlement. Also at that time, we indicated that any changes in the value of our common stock contribution would be recognized in our quarterly results through the date of contribution to the settlement trust. As required, we recorded a mark-to-market charge of \$19 million (\$18 million after tax) in the first quarter of 2004 reflecting the increased fair value of Corning's common stock. Since the first quarter of 2003, we have recorded total charges of \$432 million (\$282 million after tax) to reflect the settlement and to mark-to-market the value of our common stock.

3. Long-Term Debt

In March 2004, we issued \$400 million of senior unsecured notes, of which \$200 million aggregate principal amount of 5.90% notes mature on March 15, 2014 and \$200 million aggregate principal amount of 6.20% notes mature on March 15, 2016. These senior unsecured notes were issued under our existing \$5 billion universal shelf registration statement, which became effective in March 2001. We realized net proceeds of approximately \$396 million from the issuance of these notes. We will pay interest on these senior unsecured notes on each March 15 and September 15. These senior unsecured notes are redeemable in whole or in part at any time.

During the first quarter of 2004, we issued 22 million shares of common stock and paid \$24 million in cash in exchange for 3.5% convertible debentures with a book value of \$213 million. In addition, we repurchased 150 thousand of our zero coupon convertible debentures with a book value of \$119 million for \$117 million in cash. As a result of these transactions, we recorded a loss of \$23 million (\$21 million after tax) in first quarter 2004.

4. Income Tax

In the first quarter of 2004, the effective tax benefit rate excluding restructuring, impairment, and other charges and credits, the asbestos settlement, and loss on repurchases and retirement of debt transactions was 33%.

CORNING INCORPORATED
QUARTERLY SALES INFORMATION
(Unaudited; in millions)

	<u>2004</u>	<u>2003</u>				
	<u>Q1</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Telecommunications						
Fiber and cable	\$ 149	\$ 193	\$ 178	\$ 209	\$ 180	\$ 760
Hardware and equipment	163	141	154	151	166	612
Photonic technologies	<u>312</u>	<u>18</u>	<u>15</u>	<u>10</u>	<u>11</u>	<u>54</u>
		352	347	370	357	1,426
Display Technologies	230	117	135	144	199	595
Environmental Technologies	141	115	117	121	123	476
Life Sciences	79	73	72	70	66	281
Other						
Conventional video components	2	25	24	14	2	65
Other businesses	75	58	52	47	67	224
Steuben	<u>5</u>	<u>6</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>23</u>
	82	89	81	67	75	312
Total Corning	<u>\$ 844</u>	<u>\$ 746</u>	<u>\$ 752</u>	<u>\$ 772</u>	<u>\$ 820</u>	<u>\$3,090</u>

The above supplemental information is intended to facilitate analysis of Corning's businesses.

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