

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

	For the three months ended		For the year ended	
	December 31,		December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net sales	\$ 820	\$ 736	\$ 3,090	\$ 3,164
Cost of sales	<u>578</u>	<u>631</u>	<u>2,241</u>	<u>2,562</u>
Gross margin	242	105	849	602
Operating expenses				
Selling, general and administrative expenses	152	183	599	716
Research, development and engineering expenses	86	113	344	483
Amortization of purchased intangibles	9	10	37	43
Restructuring, impairment and other charges and credits, net	<u>21</u>	<u>1,461</u>	<u>111</u>	<u>2,080</u>
Operating loss	(26)	(1,662)	(242)	(2,720)
Interest income	8	7	32	41
Interest expense	(36)	(43)	(154)	(179)
Asbestos settlement	(25)		(413)	
Gain on repurchases of debt, net		86	19	176
Other expense, net	<u>(12)</u>	<u>(28)</u>	<u>(1)</u>	<u>(38)</u>
Loss from continuing operations before income taxes	(91)	(1,640)	(759)	(2,720)
Benefit for income taxes	<u>(46)</u>	<u>(401)</u>	<u>(254)</u>	<u>(726)</u>
Loss from continuing operations before minority interests and equity earnings	(45)	(1,239)	(505)	(1,994)
Minority interests	1	81	73	98
Equity in earnings of associated companies, net of impairments	<u>15</u>	<u>19</u>	<u>209</u>	<u>116</u>
Loss from continuing operations	(29)	(1,139)	(223)	(1,780)
Income from discontinued operations, net of income taxes	<u> </u>	<u>430</u>	<u> </u>	<u>478</u>
Net loss	(29)	(709)	(223)	(1,302)
Dividend requirements of preferred stock	<u> </u>	<u> </u>	<u> </u>	<u>(128)</u>
Loss attributable to common shareholders	<u>\$ (29)</u>	<u>\$ (709)</u>	<u>\$ (223)</u>	<u>\$ (1,430)</u>
Basic and diluted (loss) earnings per common share from:				
Continuing operations	\$ (0.02)	\$ (0.96)	\$ (0.18)	\$ (1.85)
Discontinued operations	<u> </u>	<u>0.36</u>	<u> </u>	<u>0.46</u>
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ (0.60)</u>	<u>\$ (0.18)</u>	<u>\$ (1.39)</u>
Shares used in computing per share amounts for basic and diluted loss per common share	<u>1,335</u>	<u>1,188</u>	<u>1,274</u>	<u>1,030</u>

See notes to consolidated financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except share and per share amounts)

	December 31, 2003	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 833	\$ 1,426
Short-term investments, at fair value	433	664
Total cash and short-term investments	1,266	2,090
Trade accounts receivable, net	525	470
Inventories	467	559
Deferred income taxes	242	296
Other accounts receivable	117	358
Prepaid expenses and other current assets	77	52
Total current assets	2,694	3,825
Restricted cash and investments	66	82
Investments	1,045	769
Property, net	3,620	3,705
Goodwill	1,735	1,715
Other intangible assets, net	166	213
Deferred income taxes	1,225	887
Other assets	201	210
Total assets	<u>\$ 10,752</u>	<u>\$ 11,406</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Loans payable	\$ 146	\$ 204
Accounts payable	333	339
Other accrued liabilities	1,074	1,137
Total current liabilities	1,553	1,680
Long-term debt	2,668	3,963
Postretirement benefits other than pensions	619	617
Other liabilities	412	396
Commitments and contingencies		
Minority interests	36	59
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: 854 thousand and 1.55 million	85	155
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion;		
Shares issued: 1,401 million and 1,267 million	701	634
Additional paid-in capital	10,298	9,695
Accumulated deficit	(5,144)	(4,921)
Treasury stock, at cost; Shares held: 58 million and 70 million	(574)	(702)
Accumulated other comprehensive income (loss)	98	(170)
Total shareholders' equity	<u>5,464</u>	<u>4,691</u>
Total liabilities and shareholders' equity	<u>\$ 10,752</u>	<u>\$ 11,406</u>

Certain amounts for 2002 were reclassified to conform with 2003 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		For the year ended	
	December 31,		December 31,	
	2003	2002	2003	2002
Cash flows from operating activities:				
Loss from continuing operations	\$ (29)	\$ (1,139)	\$ (223)	\$ (1,780)
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities:				
Amortization of purchased intangibles	9	10	37	43
Depreciation	117	147	480	618
Asbestos settlement	25		413	
Restructuring, impairment and other charges and credits, net	21	1,461	111	2,080
Gain on repurchases of debt, net of inducements		(86)	(19)	(176)
Undistributed earnings of associated companies	(13)	(17)	(97)	(33)
Minority interests, net of dividends paid	(1)	(81)	(77)	(98)
Deferred tax benefit	(4)	(287)	(263)	(432)
Interest expense on convertible debentures	3	8	18	38
Restructuring payments	(32)	(85)	(233)	(278)
Increases in restricted cash	(4)	(33)	(3)	(53)
Income tax refund			191	
Tax benefit on stock options	2		2	
Employee benefit payments in excess of expense	(49)	(28)	(142)	(55)
Changes in certain working capital items	54	(42)	(62)	(233)
Other, net	(32)	69		35
Net cash provided by (used in) operating activities	<u>67</u>	<u>(103)</u>	<u>133</u>	<u>(324)</u>
Cash flows from investing activities:				
Capital expenditures	(162)	(78)	(366)	(357)
Acquisitions of businesses, net of cash acquired	(7)	(27)	(6)	(56)
Proceeds from sale of precision lens business		787	9	787
Net proceeds from sale or disposal of assets	7	30	46	92
Increase in long-term investments and other long-term assets	(6)	(13)	(10)	(31)
Short-term investments - acquisitions	(158)	(665)	(1,584)	(2,222)
Short-term investments - liquidations	333	619	1,814	2,742
Restricted investments - acquisitions				(117)
Restricted investments - liquidations	4	21	19	88
Other, net				(2)
Net cash provided by (used in) investing activities	<u>11</u>	<u>674</u>	<u>(78)</u>	<u>924</u>
Cash flows from financing activities:				
Net (repayments of) proceeds from loans payable	(2)	12	(162)	(490)
Proceeds from issuance of long-term debt				11
Repayments of long-term debt	(93)	(135)	(1,193)	(325)
Proceeds from issuance of Series C preferred stock, net		(1)		557
Proceeds from issuance of common stock, net	15	5	667	52
Repurchases of common stock for treasury				(23)
Cash dividends paid to preferred shareholders	(4)	(21)	(19)	(88)
Other, net			(1)	(8)
Net cash used in financing activities	<u>(84)</u>	<u>(140)</u>	<u>(708)</u>	<u>(314)</u>
Effect of exchange rates on cash	30	20	60	43
Cash provided by (used in) continuing operations	24	451	(593)	329
Cash (used in) provided by discontinued operations		(8)		60
Net increase (decrease) in cash and cash equivalents	24	443	(593)	389
Cash and cash equivalents at beginning of period	<u>809</u>	<u>983</u>	<u>1,426</u>	<u>1,037</u>
Cash and cash equivalents at end of period	<u>\$ 833</u>	<u>\$ 1,426</u>	<u>\$ 833</u>	<u>\$ 1,426</u>

Certain amounts for 2002 were reclassified to conform with 2003 classifications.

See notes to the consolidated financial statements.

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

	<u>Telecom- munications</u>	<u>Technologies</u>	<u>Non-segment/ Other items</u>	<u>Consolidated Total</u>
For the three months ended December 31, 2003				
Net sales	\$ 357	\$ 457	\$ 6	\$ 820
Research, development and engineering expenses	\$ 25	\$ 62	\$ (1)	\$ 86
Restructuring, impairment and other charges and credits (1)	\$ (6)	\$ 27		\$ 21
Interest expense	\$ 16	\$ 20		\$ 36
(Benefit) provision for income taxes	\$ (32)	\$ 4	\$ (18)	\$ (46)
Loss before minority interests and equity earnings	\$ (17)	\$ (14)	\$ (14)	\$ (45)
Minority interests		1		1
Equity in earnings of associated companies, net of impairments	(1)	(3)	19	15
Net (loss) income	<u>\$ (18)</u>	<u>\$ (16)</u>	<u>\$ 5</u>	<u>\$ (29)</u>
For the three months ended December 31, 2002				
Net sales	\$ 363	\$ 367	\$ 6	\$ 736
Research, development and engineering expenses	\$ 65	\$ 50	\$ (2)	\$ 113
Restructuring, impairment and other charges and credits (1)	\$ 1,263	\$ 141	\$ 57	\$ 1,461
Interest expense	\$ 15	\$ 19	\$ 9	\$ 43
(Benefit) provision for income taxes	\$ (376)	\$ (33)	\$ 8	\$ (401)
(Loss) income before minority interests and equity earnings	\$ (1,123)	\$ (132)	\$ 16	\$ (1,239)
Minority interests	1	80		81
Equity in earnings of associated companies, net of impairments	(34)	51	2	19
Income from discontinued operations			430	430
Net (loss) income	<u>\$ (1,156)</u>	<u>\$ (1)</u>	<u>\$ 448</u>	<u>\$ (709)</u>
For the year ended December 31, 2003				
Net sales	\$ 1,426	\$ 1,641	\$ 23	\$ 3,090
Research, development and engineering expenses	\$ 120	\$ 227	\$ (3)	\$ 344
Restructuring, impairment and other charges and credits (1)	\$ (36)	\$ 134	\$ 13	\$ 111
Interest expense	\$ 75	\$ 79		\$ 154
Benefit for income taxes	\$ (78)	\$ (6)	\$ (170)	\$ (254)
Loss before minority interests and equity earnings	\$ (158)	\$ (98)	\$ (249)	\$ (505)
Minority interests		73		73
Equity in earnings of associated companies, net of impairments	(11)	137	83	209
Net (loss) income	<u>\$ (169)</u>	<u>\$ 112</u>	<u>\$ (166)</u>	<u>\$ (223)</u>
For the year ended December 31, 2002				
Net sales	\$ 1,631	\$ 1,513	\$ 20	\$ 3,164
Research, development and engineering expenses	\$ 308	\$ 177	\$ (2)	\$ 483
Restructuring, impairment and other charges and credits (1)	\$ 1,722	\$ 150	\$ 208	\$ 2,080
Interest expense	\$ 99	\$ 71	\$ 9	\$ 179
(Benefit) provision for income taxes	\$ (722)	\$ (28)	\$ 24	\$ (726)
Loss before minority interests and equity earnings	\$ (1,838)	\$ (145)	\$ (11)	\$ (1,994)
Minority interests	1	96	1	98
Equity in earnings of associated companies, net of impairments	(60)	168	8	116
Income from discontinued operations			478	478
Net (loss) income	<u>\$ (1,897)</u>	<u>\$ 119</u>	<u>\$ 476</u>	<u>\$ (1,302)</u>

- (1) Related tax benefit:
Three months ended December 31, 2003: \$17, \$6, \$0 and \$23.
Three months ended December 31, 2002: \$299, \$27, \$17 and \$343.
Year ended December 31, 2003: \$17, \$28, \$4 and \$49.
Year ended December 31, 2002: \$452, \$30, \$66 and \$548.

See notes to the consolidated financial statements.

Non-segment/other items net income (loss) is detailed below:

	Three months ended		Year ended	
	December 31,		December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Non-segment (loss) income and other (1)	\$ (15)	\$ (12)	\$ (44)	\$ 4
Non-segment restructuring, impairment and other charges and credits		(57)	(13)	(208)
Interest income	8	7	32	41
Asbestos settlement	(25)		(413)	
Gain on repurchases of debt, net		86	19	176
Benefit (provision) for income taxes	18	(8)	170	(24)
Minority interests				1
Equity in earnings of associated companies (2)	19	2	83	8
Income from discontinued operations		430		478
Net income (loss)	<u>\$ 5</u>	<u>\$ 448</u>	<u>\$ (166)</u>	<u>\$ 476</u>

(1) Includes non-segment operations and other corporate activities.

(2) Includes amounts derived from corporate investments and activities, primarily Dow Corning Corporation in 2003.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited; in millions except headcount)

When used in these notes, the terms “we,” “our” or “us” refer to Corning Incorporated and its consolidated subsidiaries.

1. Restructuring, Impairment and Other Charges and Credits

In the fourth quarter of 2003, we recorded restructuring, impairment and other charges of \$34 (\$26 after tax), offset by credits of \$13 (\$28 after tax), resulting in a net charge of \$21 (\$2 after-tax credit). A summary of these charges and credits follow:

Specialty Materials

On December 4, 2003, we announced our plans to consolidate our high purity fused silica and fluoride crystal manufacturing operations into other locations. These actions resulted in the closure of our North Brookfield, MA facility at December 31, 2003 and the planned closure of our Charleston, SC facility by March 31, 2004. Approximately 100 employees will be affected.

In connection with these actions, we will record a total charge of \$63, of which \$27 (\$22 after tax) was recorded in the fourth quarter. We recorded a charge of \$4 related to exit and employee separation costs and a fixed asset impairment charge of \$11 in the fourth quarter. In addition, we are accelerating \$48 of depreciation on assets to be disposed of following the closure of our Charleston plant, of which \$12 was recorded in the fourth quarter of 2003 and included in restructuring, impairment and other charges and credits. The remaining \$36 will be recorded in the first quarter of 2004.

Other

We also recorded a \$7 (\$4 after tax) restructuring charge relating to our Telecommunications segment. This charge included \$4 of employee separation costs and \$3 of exit costs.

Credits

In the fourth quarter of 2003, we reversed \$13 (\$28 after tax) of reserves related to prior years' restructuring charges, primarily in the Telecommunications segment. The reversals included \$3 related to employee separation costs which were less than estimated, \$1 related to exit costs which were less than estimated, and \$9 related to assets that were previously impaired. We also recorded a \$20 foreign deferred tax benefit adjustment related to restructuring and impairment charges recorded in the fourth quarter of 2002.

The current restructuring reserve continues to be evaluated as plans are being executed. In addition, since the restructuring program is an aggregation of many individual plans currently being executed, actual costs have differed from estimated amounts. As a result, there may be additional charges or reversals.

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 (\$192 after tax) in the first quarter. The charge included the value of 25 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 \$25 (\$17 after tax) in the fourth quarter reflecting the increased fair value of the shares to its common stock contribution. We have recorded total charges of \$413 (\$263 after tax) to reflect the settlement and to mark-to-market the value of our common stock for the year ended December 31, 2003.

3. Samsung Corning Co., Ltd.

As a result of a weaker outlook for the conventional television and monitor markets, Corning's 50 percent owned equity venture, Samsung Corning Co., Ltd., recorded an impairment charge in the fourth quarter related to its long-lived assets. Our equity earnings in the fourth quarter included \$66 after-tax related to this impairment charge.

4. Funding of the Corning Pension Plan

We sponsor defined benefit pension plans covering certain hourly and salaried employees in the United States. Although we are not required by employee benefit and tax laws to make contributions to our pension plans prior to 2005, we contributed \$60 in the fourth quarter and \$160 in 2003 to our U.S. pension plans to improve these plans' funded status.

5. Supplementary Statements of Cash Flows Data

Supplemental disclosure of cash flow data follows:

	For the three months ended		For the year ended	
	December 31,		December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Changes in certain working capital items:				
Trade accounts receivable	\$ (5)	\$ 56		\$ 153
Inventories	35	47	\$108	135
Other current assets	15	(246)	49	(363)
Accounts payable and other current liabilities, net of restructuring payments	<u>9</u>	<u>101</u>	<u>(219)</u>	<u>(158)</u>
Total	<u>\$ 54</u>	<u>\$ (42)</u>	<u>\$ (62)</u>	<u>\$ (233)</u>

6. Income Tax

In the fourth quarter of 2003, the effective tax benefit rate was impacted by certain items such as restructuring, impairment and other charges and credits, the asbestos settlement and debt transactions. Excluding these items, the rate was 33 percent for the quarter and year ended December 31, 2003.

CORNING INCORPORATED
QUARTERLY SEGMENT SALES INFORMATION
(Unaudited; in millions)

	2003				Total
	Q1	Q2	Q3	Q4	
Telecommunications					
Fiber and cable	\$ 193	\$ 178	\$ 209	\$ 180	\$ 760
Hardware and equipment	122	136	134	143	535
Photonic technologies	18	15	10	11	54
Controls and connectors	19	18	17	23	77
Segment net sales	<u>\$ 352</u>	<u>\$ 347</u>	<u>\$ 370</u>	<u>\$ 357</u>	<u>\$1,426</u>
Technologies					
Display technologies	\$ 117	\$ 135	\$ 144	\$ 199	\$ 595
Environmental	115	117	121	123	476
Life sciences	73	72	70	66	281
Conventional video components	25	24	14	2	65
Other technologies businesses	58	52	47	67	224
Segment net sales	<u>\$ 388</u>	<u>\$ 400</u>	<u>\$ 396</u>	<u>\$ 457</u>	<u>\$1,641</u>
2002					
	Q1	Q2	Q3	Q4	Total
Telecommunications					
Fiber and cable	\$ 255	\$ 212	\$ 195	\$ 197	\$ 859
Hardware and equipment	135	153	136	128	552
Photonic technologies	36	39	17	19	111
Controls and connectors	39	33	18	19	109
Segment net sales	<u>\$ 465</u>	<u>\$ 437</u>	<u>\$ 366</u>	<u>\$ 363</u>	<u>\$1,631</u>
Technologies					
Display technologies	\$ 93	\$ 102	\$ 106	\$ 104	\$ 405
Environmental	94	102	102	96	394
Life sciences	70	74	71	65	280
Conventional video components	43	41	47	35	166
Other technologies businesses	69	66	66	67	268
Segment net sales	<u>\$ 369</u>	<u>\$ 385</u>	<u>\$ 392</u>	<u>\$ 367</u>	<u>\$1,513</u>

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

Exhibit 99.2

Reconciliation of Non-GAAP Financial Measures

**GAAP Reconciliation
Q1 2004**

Corning's earnings estimate for the first quarter is a non-GAAP financial measure as it excludes certain items listed below. The company believes presenting earnings estimates that exclude these items is helpful in understanding Corning's operating results.

	<u>Range</u>	
Guidance: EPS excluding certain items	\$0.04	\$0.05
<i>Items not included within guidance:</i>		
Gain on sale of CAV equipment ⁽¹⁾		
Mark to market for asbestos litigation ⁽²⁾		
Restructuring and impairment charges ⁽³⁾		

⁽¹⁾ Corning expects to record a gain from the sale of CAV equipment to the Henan Anyang CPT Glass Bulb Group, Xinyi Electronic Glass, Co., LTD. The sale is expected to be completed in the first half of 2004, as certain government approvals and other customary asset purchase conditions are met. As these conditions are met and the purchase price is received, Corning will record the gain. The total pre-tax gain is estimated to be \$40 million, \$13 million after-tax and minority interest. Corning recorded \$5 million of the expected gain in the third quarter of 2003. Corning expects to record the remaining gain during the first half of 2004.

⁽²⁾ As part of Corning's asbestos settlement for Pittsburgh Corning, the company will be contributing 25 million shares of Corning common stock to the trust, along with some cash. The common stock is expected to be contributed to the trust in mid-2004, after the claimants have approved the plan and all appeals have been resolved. Until the common stock is contributed to the trust, the change in Corning's stock price from the closing price of \$10.43 on 12/31/03 to the closing price on 3/31/04 will be recognized in our first quarter results.

⁽³⁾ Corning expects to record \$36 million, of pre-tax restructuring, impairment and other charges announced in the fourth quarter related to its decision to consolidate its high purity fused silica and fluoride crystal manufacturing operations into other locations.

Please note that the company may pursue other financing, restructuring and divestiture activities at any time in the future, and that the potential impact of these events is not included within Corning's fourth quarter guidance.

This schedule contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements are based on current expectations and involve certain risks and uncertainties. Actual results may differ from those projected in the forward looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in the Securities and Exchange Commission filings of this Company.

Reconciliation of Non-GAAP Financial Measures

GAAP Reconciliation

Years Ended December 31, 2003 and 2002

(Unaudited; amounts in millions, except per share amounts)

	After tax and Minority Interest For the years ended December 31,		<u>Improvement</u>
	<u>2003</u>	<u>2002</u>	
Income (loss) from continuing operations, excluding special items	\$ 128	\$ (392)	<u>\$ 520</u>
<i>Special items:</i>			
Restructuring, impairment and other charges and credits, net (\$111 and \$2,080 pretax)	(26)	(1,462)	
Asbestos settlement (\$413 pre-tax)	(263)		
Samsung Corning Co., Ltd. asset impairment charge	(66)		
Other equity company impairments	(8)	(34)	
Gain on repurchases of debt, net (\$19 and \$176 pre-tax)	<u>12</u>	<u>108</u>	
Loss from continuing operations	<u>\$ (223)</u>	<u>\$ (1,780)</u>	

The company's comment about "...improved our profitability by more than \$500 million, before special items," is a non-GAAP financial measure that excludes the special items in the periods being compared. The company believes presenting this comparison is helpful in understanding the improvement in Corning's operating results including equity earnings.