

B A L A N C E

Corning Annual Report 2002



CORNING

FINANCIAL HIGHLIGHTS:

	2002	2001	2000	1999	1998
in millions, except per share amounts					
NET SALES	\$ 3,164	\$ 6,047	\$ 6,920	\$ 4,586	\$ 3,687
(Loss) income from continuing operations	(1,780)	(5,532)	363	482	333
Income from discontinued operations	478	34	59	34	88
NET (LOSS) INCOME	\$ (1,302)	\$ (5,498)	\$ 422	\$ 516	\$ 421
(LOSS) INCOME AVAILABLE TO COMMON SHAREHOLDERS*	\$ (1,430)	\$ (5,499)	\$ 421	\$ 515	\$ 420
DILUTED (LOSS) EARNINGS PER COMMON SHARE					
Continuing operations	\$ (1.85)	\$ (5.93)	\$ 0.41	\$ 0.61	\$ 0.44
Discontinued operations	0.46	0.04	0.07	0.05	0.12
NET (LOSS) INCOME PER COMMON SHARE	\$ (1.39)	\$ (5.89)	\$ 0.48	\$ 0.66	\$ 0.56

* Net of preferred dividend requirements for Series B convertible preferred stock and Series C mandatory convertible preferred stock.

TO OUR SHAREHOLDERS:



JAMES R. HOUGHTON

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

We will long remember 2002 as one of the most challenging years—if not the most challenging—in Corning Incorporated’s long history. I quickly became even more steeped in these challenges in April when, at the request of our Board of Directors, I returned to the company as Chairman and Chief Executive Officer.

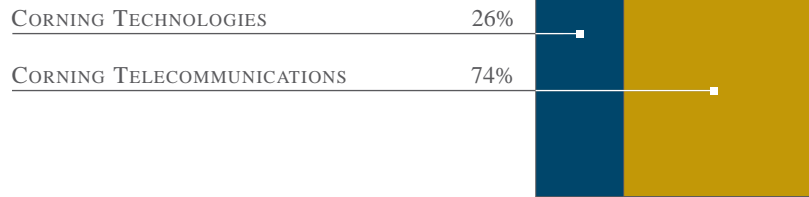
Since that time, I am increasingly convinced that, despite our downturn, the long-term future of Corning remains bright and filled with opportunity.

But in the meantime, we have been living in a very difficult reality – one marked by ongoing quarterly losses and drops in revenue. You, our shareholders—along with our employees and our friends in the communities we serve—felt the pain. We all watched our businesses retrench, battered by a weakened global economy and Wall Street turmoil. And we could only wonder what bad news would be next as our stock value continued its seemingly relentless decline.

With the severe drop-off in revenues from our telecommunications customers, we knew we could no longer afford to keep up the costly infrastructure of facilities and staff we had in place. Put simply, we couldn’t spend more than we were making.

We also knew our strengths — and they were many! We knew we were not — nor had we ever been — merely a telecommunications company. Rather, we are a technology company, with the materials and process expertise to create life-changing products. That’s what we’ve been for all of our 152 years; that’s what we’ll continue to be.

And we knew something else ... that our Values, the historic strength of our company, were alive and well. Quality, Integrity, Performance, Leadership, Innovation, Independence and The Individual continue to guide our every move, and continue to set us apart from other companies—especially those caught in the accounting scandals that marred the business world this past year.



WHAT WE DID

So, armed with full recognition of both our challenges and our strengths, we set out to re-shape the company, adjusting to the new realities of the market.

During 2002, we relied on our Values to set the context in which we operated. From there, we focused relentlessly on a very clear plan with three priorities:

- TO PRESERVE THE FINANCIAL HEALTH OF THE COMPANY;
- TO RETURN TO PROFITABILITY IN 2003;
- TO CONTINUE TO INVEST IN OUR FUTURE.

During the course of the year — with a recovery in the telecommunications industry still nowhere in sight — we restructured the company and dramatically lowered our cost structure. Meanwhile, we focused our research and development efforts and recommitted ourselves to building those businesses which presented the most attractive near-term opportunities for growth — a large part of which are outside the telecommunications segment. Our diverse portfolio and wealth of skills across a wide variety of markets had never been more important.

The plan — painful though it is — is working.

PRESERVING OUR FINANCIAL HEALTH

Now, let's take a look at our financial picture. Our 2002 sales from continuing operations were \$3.2 billion, a significant decline from 2001 sales of \$6.1 billion. Losses in our telecommunications segment and significant restructuring and impairment charges drove a net loss of \$1.3 billion or \$1.39 per share in 2002.

Despite these lowered revenues and net loss, I take great pride in saying that Corning continues to be a financially sound company. We developed a three-part plan for achieving this goal: maintaining significant cash balances; using excess cash to reduce our debt; and continuing to have access to our \$2 billion revolving line of credit. And we have achieved significant success in each of these areas.

Although it has been a very painful process, we have dramatically slowed the rate at which we are consuming cash and short term investments. Much of this, regrettably, was through a variety of plant closures and the elimination of about 7,100 jobs, in addition to the 12,000 jobs we eliminated last year. As a result, a major drain on cash has been due to severance

payments. Beyond severance, our actual cash usage for our operations has become very low. We have also added to our cash reserves through such actions as our preferred stock offering in July, and the sale of our Ohio-based precision lens business to 3M late in the year. As a result of all these actions, we were able to end the year with about \$2.1 billion in cash and short-term investments.

In keeping with this strategy, we also continue to pay down debt each quarter. Over the course of 2002 and the first month of this year, we repaid about \$975 million in debt, including commercial paper.

We haven't touched our \$2 billion in credit — and we don't intend to. We maintain our access to this credit by keeping our debt-to-capital ratio lower than 60 percent. Our ratio at year end was 46.7 percent, well within the compliance range in our credit agreement. And as we execute on our plan to pay down debt, that ratio will drop even further.

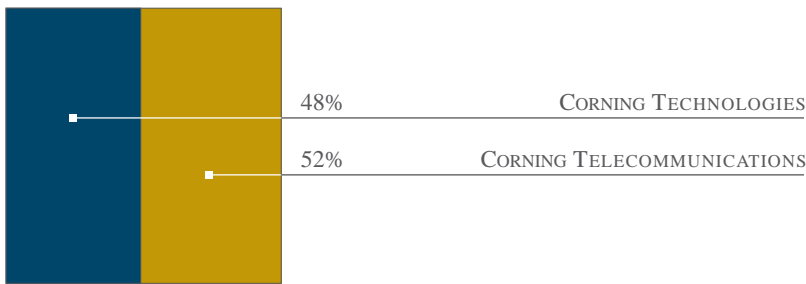
All that said, we are preserving what we believe is a strong liquidity position. And our balance sheet will continue to improve in 2003 as we gain more benefits from last year's restructuring actions. We will continue to maintain our focus on improving our cash flow and reducing our debt levels as we look ahead to our longer-term goal of regaining an investment-grade debt rating.

RETURNING TO PROFITABILITY

In 2003, we will focus our energy on the plan to return to profitability. We are on track to reach that goal, and let me explain a few of the reasons why.

Our Technologies segment has had a strong year, and has set aggressive goals for both sales and profit growth for 2003. The time is right for these businesses to lead the way to our return to profitability — particularly our liquid-crystal display, environmental and semiconductor optics businesses. These are strong businesses which continue to set the standard for their markets and have plenty of growth potential. If the industries in which we participate expand as we expect, we have every confidence these businesses will be able to meet their goals. We are also well on our way toward getting our optical fiber and cable operations back to profitability as we reduce our fixed cost structure. In October, we announced plans to close several of our fiber plants and to streamline our cable

2002
WORLDWIDE REVENUES



operations throughout the world. These actions are key to reaching this goal of profitability. The optical fiber and cable business remains challenging for the short term, but there is still a great deal of long-term value to be realized in this business. We believe our cost structure is coming in line with our current reduced revenue expectations.

The optical components market remains very weak and as a result our photonic technologies business will need to take further action to reduce costs. In this challenging environment, we have narrowed our product focus and continue to explore several strategic options.

Lastly, we are continuing to drive down costs in our administrative and staff functions by standardizing processes and centralizing activities wherever possible.

And as we reach that goal of profitability — as a smaller, more focused, yet highly diverse and balanced company — we are confident that you, our shareholders, will experience greater returns on your investments.

INVESTING IN OUR FUTURE

I continue to be extremely excited about the future opportunities emerging from our 152-year legacy of scientific innovations. We are concentrating our efforts on high-impact, near-term growth initiatives with emphasis on our liquid-crystal display, diesel filter, and chemical processing projects.

And we are certainly not giving up on optical communications. We have the biggest share of the optical fiber market, by far, and continue to be the low-cost producer for anyone needing to move information from place to place. So while we've scaled back on production of fiber and other optical products, we certainly believe that they will continue to be an important part of our product mix again in the future. The optical communications industry is still in its infancy and we will capitalize on our leadership position to grow both our earnings and return on shareholder equity.

Yes, we have trimmed our investment in research to a level appropriate with our lowered revenues. But we're committed to research today even more than we have been in the past.

We are applying more than 10 percent of our revenues toward research. Some may question this high level of commitment in these times ... but we simply will not back away from it. We

have more than 1,000 scientists and researchers in our laboratories. They are at the heart of our innovation engine, and they're going to stay that way!

And in investing in our future, we are talking about more than just our scientific labs. We are continuing to invest in our people — all 23,200 of them, in plants and offices throughout the world — who are continuing to move us forward toward our goals. They have been through a lot during this downturn, and we have done our best to set a tone of open, honest communication, even when the news hasn't been good. In the year ahead, I've told our managers to place special emphasis on our Value of *The Individual* ... knowing that, in the end, the commitment and contribution of all our employees will determine our success.

LOOKING AHEAD

As a company, we have been through an extraordinarily difficult time. We continue to face some formidable challenges. But we are facing them with some equally formidable strengths.

Corning Incorporated is more than the sum of its parts — much more than a commercial enterprise.

We are one company with a proud history of innovation spanning more than 150 years. That legacy has created a diverse business portfolio and strong market leadership.

We have a time-tested set of Values and we rely on them to guide our every action. We also hold dear the pride of association that all who touch our corporation feel. Shareholders, customers and employees understand that your corporation has, for more than 150 years, produced useful and industry-creating products that have changed the lives of mankind.

In our long history, we've always come together in the face of a tough challenge — and you can count on us to continue doing exactly that. I thank you for your continued confidence and assure you that we will succeed!

Sincerely,

James R. Houghton
Chairman and Chief Executive Officer

Corning's historical success stems from its foundation as an innovative technology company. Our diverse portfolio of businesses spans a wide range of markets, and this is one of the main reasons we are weathering the downturn in the telecommunications sector. The businesses we classify as Corning Technologies — led by our liquid-crystal display (LCD) glass, environmental, and semiconductor optics operations — were strong and profitable in 2002, with aggressive plans for significant growth during 2003.

Our LCD glass business has been a star performer, posting year-over-year volume gains of more than 45 percent. We are the leading producer in this market. Our sales of glass for desktop monitors have doubled over the past year alone — and there's still plenty of room for more growth, since only about a quarter of desktop displays sold in 2002 were LCD. And, LCD TVs are just beginning to gain popularity — we consider this one of our next big opportunities, as the number of LCD TVs sold annually more than doubled in 2002. Our EAGLE^{2000™} glass substrates and other product and process innovations are enabling manufacturers to produce lighter, larger, thinner and higher-resolution displays more affordably — exactly what the market is demanding.



FLAT PANEL DISPLAY GLASS: LCD TELEVISIONS



DESKTOP MONITORS AND LAPTOPS



Environmental Technologies is another growth business for us, and one in which we are focusing a significant portion of our overall R&D investment. We have helped shape this industry since our invention of the ceramic catalytic converter substrate in the 1970s. Today, we are working globally with the automotive and truck industries to develop and manufacture innovative new substrate and filter products to further reduce emissions from both gasoline- and diesel-powered vehicles. By around 2008, the diesel emission control business could be as big as our automotive emission control business is today. Our new clean-air products plant in Erwin, N.Y., is expected to be up and running by mid-decade in support of this great diesel opportunity.

Our Semiconductor Optics business — with some exciting new developments in the production of calcium fluoride crystals and continued breakthroughs in the creation of HPFS® fused silica — is helping the semiconductor industry develop faster and more powerful integrated circuits. Our long-standing leadership in optical materials composition and optics design continues to be based on our unique set of skills in basic materials science, glass chemistry and metrology.

SEMICONDUCTOR OPTICS: CALCIUM FLUORIDE CRYSTALS



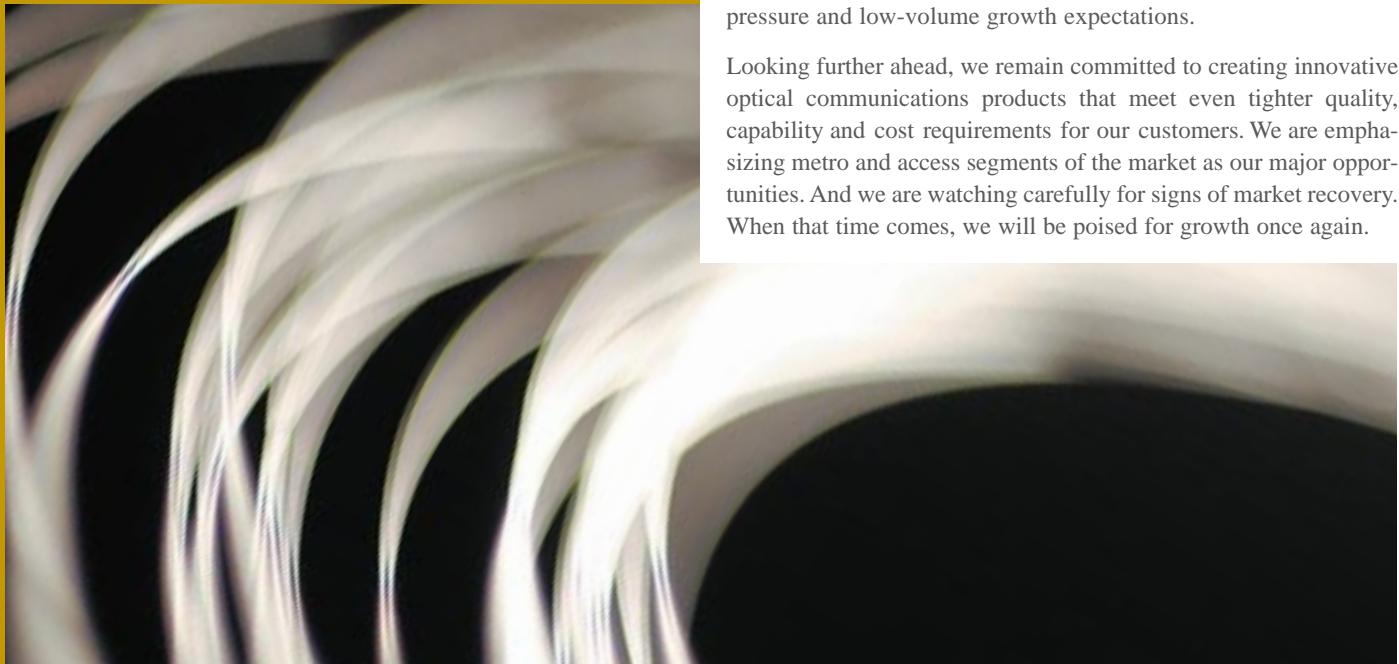
ENABLING: MICROCIRCUIT LINES AT 1/1000 THE WIDTH OF A HUMAN HAIR



The ongoing malaise of the telecommunications industry led Corning to initiate significant restructurings during 2002. Optical fiber plant closings and workforce reductions were evidence of our comprehensive plan to align expenses with dramatically lowered revenues in our telecommunications businesses. Despite industry weakness, we remain the global leader in the manufacturing and sale of optical communications products. Our position will serve us well when the inevitable growth of this dynamic market returns.

For the near-term, we are focused on maintaining our leading position across our markets and with our customers. Through our many generations of manufacturing technology development, we are restoring our businesses to profitability despite continued pricing pressure and low-volume growth expectations.

Looking further ahead, we remain committed to creating innovative optical communications products that meet even tighter quality, capability and cost requirements for our customers. We are emphasizing metro and access segments of the market as our major opportunities. And we are watching carefully for signs of market recovery. When that time comes, we will be poised for growth once again.



CORNING CABLE SYSTEMS: CABLE AND HARDWARE



OPTICAL NETWORKS: METRO, LOCAL, LAST MILE



Corning's long history of extraordinary innovation continues in the context of managing the sensitive balance between the near-term alignment of R&D and business objectives, and longer-range discovery research and new opportunity creation.

Over the past year, we adjusted our R&D spending to align with business conditions. At the same time, we carefully preserved our core technology capabilities to ensure our capacity to lead our markets and create life-changing innovations.

We have tightened our focus on high-impact projects and have streamlined our processes to develop and commercialize promising opportunities more quickly and efficiently. We have emphasized our patent processes to ensure strong competitive positions from the critical intellectual assets of our scientific organization.

Our R&D organization is aligned with our operating goals and plays a critical role in meeting them. Our scientists and engineers are closely linked to our operations and are focused not only on new product development, but also new process development. They are discovering new ways to manufacture innovative products with lowered cost and increased quality performance.

Innovation is one of Corning's core Values. It is the everyday language and mindset of the company. Even in the face of difficult economic conditions, we will pursue our tradition of developing breakthrough technologies for the markets we serve — from telecommunications to environmental — and will capitalize on the creation of new market opportunities made possible by our strong commitment to research and development.

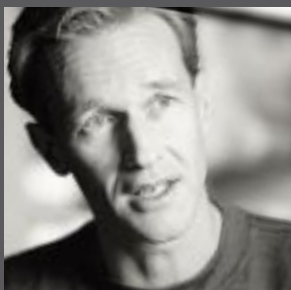


CRITICAL TECHNOLOGIES: CHEMICAL VAPOR DEPOSITION



MATERIALS RESEARCH: OPTICAL PROPERTIES





WENDELL P. WEEKS

PRESIDENT
AND CHIEF OPERATING OFFICER

In our business operations during 2002 we invested a great deal of energy aligning our cost structure and business plans with our priority of restoring profitability. After massive restructuring — following restructuring efforts we launched in 2001—we feel we now have our cost structure and growth strategies in place to accomplish this goal.

We have re-balanced the company to take advantage of our broad and diverse set of businesses. And in charting our strategies, we have focused on ensuring that both our segments have solid business plans in place, enabling them to grow. Our people are rigorously committed to executing against these plans.

As you saw earlier in this report, our Corning Technologies businesses are in markets with solid growth potential. We have leading market positions in attractive businesses ... we are ready to capitalize on that position of strength. Meanwhile, we are making these businesses even more cost-effective through significant manufacturing efficiency gains.

In telecommunications, we are not planning on a market recovery in 2003. We have aligned our cost structure to meet current demand levels after two very tough years of ongoing restructuring.

Within the context of our financial realities, however, we have not lost our sense of self. We will meet our goals ... but the path we are taking to get there has been, and will continue to be, consistent with our Values. Integrity ... quality ... treating individuals with dignity and respect ... these are the guiding principles of the decisions we make. We know that in adhering to our Values, solid business performance will follow.



JAMES B. FLAWS

VICE CHAIRMAN
AND CHIEF FINANCIAL OFFICER

We take great pride in saying that Corning continues to be a financially sound company, thanks to the aggressive strategies we executed throughout 2002. Although it has been a very painful process, we have dramatically slowed the rate at which we are spending cash. We ended the year with a balance of cash and short-term investments of \$2.1 billion. And we have access to \$2 billion in credit that we haven't touched — and don't plan to. We also continue to pay down debt each quarter. This, combined with our plan to return to profitability in 2003, gives us a high degree of confidence in our ability to meet any future financial obligations. So, we feel very good about our liquidity position right now.

The ongoing economic weakness and uncertainty in world events continue to make the overall business environment a volatile one. Still, we have greatly improved our ability to forecast revenues and expenses quarter-to-quarter, and we are encouraged by the near-term growth potential of our non-telecommunications businesses — especially our liquid-crystal display, environmental and semiconductor businesses. If these markets continue to grow as we expect, we are confident that we will be able to meet our goals.

We know that our shareholders are most eager to see a greater return on their investment with Corning, and of course our return to profitability will be key to building back Wall Street's confidence. We are 100 percent committed to reaching that goal of profitability in 2003 — and doing so within the rigorous compliance rules by which we have always been guided. Integrity characterizes all our relationships, both inside and outside of Corning, and we will never compromise that foundation of our reputation.

INVESTOR INFORMATION:

ANNUAL MEETING

The annual meeting of shareholders will be held on Thursday, April 24, 2003, in Corning, NY. A formal notice of the meeting together with a proxy statement will be mailed to shareholders on or about March 12, 2003. The proxy statement can also be accessed electronically through the Investor Relations category of the Corning home page on the Internet at www.corning.com. A summary report of the proceedings at the annual meeting will be available without charge upon written request to Ms. Denise A. Hauselt, Secretary and Assistant General Counsel, Corning Incorporated, HQ-E2-10, Corning, NY 14831.

ADDITIONAL INFORMATION

A copy of Corning's 2002 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available upon written request to Ms. Denise A. Hauselt, Secretary and Assistant General Counsel, Corning Incorporated, HQ-E2-10, Corning, NY 14831. The Annual Report on Form 10-K can also be accessed electronically through the Investor Relations category of the home page on the Internet at: www.corning.com

INVESTOR INFORMATION

Investment analysts who need additional information may contact Mr. Kenneth C. Sofio, Manager of Investor Relations, Corning Incorporated, HQ-E2-25, Corning, NY 14831; Telephone 607.974.9000

COMMON STOCK

Corning Incorporated common stock is listed on the New York Stock Exchange and the SWX Swiss Exchange. In addition, it is traded on the Boston, Midwest, Pacific and Philadelphia stock exchanges. Common stock options are traded on the Chicago Board Options Exchange. The abbreviated ticker symbol for Corning Incorporated is "GLW."

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services LLC
P.O. Box A-3504
Chicago, IL 60690-3504
Telephone: 800.255.0461
Website: www.computershare.com

CHANGE OF ADDRESS

Report change of address to Computershare Investor Services at the above address.

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"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

The statements in this annual report that are not historical facts or information are forward-looking statements. These forward-looking statements involve risks and uncertainties that may cause the outcome to be materially different. Such risks and uncertainties include, but are not limited to:

- global economic and political conditions,
- currency fluctuations,
- product demand and industry capacity,
- competitive products and pricing,
- sufficiency of manufacturing capacity and efficiencies,
- cost reductions,
- availability and costs of critical materials,
- new product development and commercialization,
- attracting and retaining key personnel,
- order activity and demand from major customers,
- fluctuations in capital spending by customers in the telecommunications industry and other business segments,
- financial condition of customers,
- changes in the mix of sales between premium and non-premium products,
- facility expansions and new plant start-up costs,
- adverse litigation or regulatory developments, including future or pending tax legislation,
- adequacy and availability of insurance,
- capital resource and cash flow activities,
- capital spending,
- equity company activities,
- interest costs,
- acquisition and divestiture activity,
- the rate of technology change,
- the ability to enforce patents,
- product performance issues,
- stock price fluctuations, and
- other risks detailed in Corning's SEC filings.

Neither this report nor any statement contained herein is furnished in connection with any offering of securities or for the purpose of promoting or influencing the sale of securities.

Corning is an equal opportunity employer.
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CORPORATE VALUES:

Corning's Values provide an unchanging moral and ethical compass that guides the actions of everyone in the company. The corporate values are: Quality, Integrity, Performance, Leadership, Innovation, Independence, and The Individual.

TOTAL QUALITY:

In alignment with the quality policy of the corporation, our policy is to achieve Total Quality performance. Total Quality performance means understanding who the customer is, what the requirements are, and meeting those requirements better than anyone else, without error, on time, every time.

quality
Integrity
performance!
leadership
innovation
Independence
the individual