

Edgar Filing: CORNING INC /NY - Form 8-K

CORNING INC /NY  
Form 8-K  
January 23, 2003

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) January 23, 2003

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.)
---	---------------------------------------	---

One Riverfront Plaza, Corning, New York (Address of principal executive offices)	14831 (Zip Code)
---	---------------------

(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.

Corning completed the divestiture of its precision lens business on December 13, 2002. This document includes schedules restating results for each quarter of 2002 with the precision lens business presented as a discontinued operation.

Concurrent with this press release, Corning introduced its Technologies Operating Segment. Also included in this release is restated segment information for prior quarters of 2002.

Edgar Filing: CORNING INC /NY - Form 8-K

Item 7. Financial Statements and Exhibits.

Exhibits:

The Registrant's press release of January 23, 2003.

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: January 23, 2003

By /s/ KATHERINE A. ASBECK

-----  
Katherine A. Asbeck  
Senior Vice President and Controller

FOR RELEASE -- JANUARY 23, 2003

Corning Contacts:

Media Relations  
Daniel F. Collins  
(607) 974-4197  
collinsdf@corning.com

Investor Relations  
Kenneth C. Sofio  
(607) 974-7705  
sofiokc@corning.com

Corning Announces Fourth Quarter Results

\$1.46 billion of charges in line with previous announcements  
LCD glass shipments remain strong

## Edgar Filing: CORNING INC /NY - Form 8-K

CORNING, N.Y. -- Corning Incorporated (NYSE:GLW) today announced that its fourth-quarter 2002 sales from continuing operations were \$736 million and sales from discontinued operations were \$65 million. The company reported a loss from continuing operations of \$1.14 billion, or \$0.96 per share, for the quarter. This loss includes restructuring, impairment and other charges of \$1.46 billion (\$1.07 billion after-tax), or \$0.90 per share, for the fourth quarter. In addition, Corning recognized a pretax gain of \$86 million (\$53 million after-tax), or \$0.04 per share, on the repurchase of debt during the quarter.

Corning's fourth-quarter income from discontinued operations of \$430 million, or \$0.36 per share, included the after-tax gain on the sale of its precision lens business of \$415 million, or \$0.35 per share. In total, Corning's net loss for the quarter was \$709 million, or \$0.60 per share.

James R. Houghton, chairman and chief executive officer, said, "We achieved our goals for the fourth quarter. Our sales were in the range of our guidance for the quarter. We completed a significant portion of our previously announced restructuring actions and we bolstered our liquidity position with the sale of our precision lens business. We believe that these actions are important building blocks as we drive toward our goal of profitability in 2003."

(more)

Corning Announces Fourth Quarter Results  
Page Two

### Previously Announced Charges

In the fourth quarter, Corning recorded restructuring and impairment charges totaling \$1.46 billion (\$1.07 billion after-tax). This included:

- .. Charges of \$652 million (\$536 million after-tax) related to restructuring actions for: the permanent closure of Corning's optical fiber factories in Australia and Germany; the mothballing of its optical fiber factory in Concord, N.C.; the reductions in capacity and employment in the company's cable, hardware and equipment and photonic technologies businesses; and the impairment of Corning's portfolio of cost investments in the telecommunications segment. The after-tax amount also included a \$20 million reduction in equity earnings primarily related to restructuring and impairment charges at Samsung Corning Micro-Optics Company Limited.
- .. A charge of \$409 million (\$239 million after-tax and minority interest) to impair plant and equipment in the company's conventional television tube glass and photonic technologies businesses.
- .. A goodwill impairment charge of \$400 million (\$294 million after-tax) related to the telecommunications segment.

### Fourth-quarter Operating Results

Sales from continuing operations were \$736 million compared to the previous quarter's sales of \$762 million. Telecommunications segment sales were even with the third quarter due to stronger-than-expected optical fiber shipments to Japan. Optical fiber volume increased sequentially by approximately 6%. In the Technologies segment, which combines the remainder of the Information Display businesses and the Advanced Materials businesses, sales declined from the third quarter primarily due to expected seasonal slowdowns in the environmental and life sciences businesses and lower sales in the conventional television business.

Corning's Display Technologies business achieved record shipments of liquid

## Edgar Filing: CORNING INC /NY - Form 8-K

crystal display glass with sequential volume gains of 6%. These volume increases were offset by the impact of 4% price declines and foreign exchange rates related to the Japanese yen. The company said that the dramatic increase in LCD monitor sales, steady growth in notebook computer purchases and emerging popularity of LCD-TV resulted in a 45% year-to-year increase in flat panel glass volume shipments. Corning said it would continue to bring on additional LCD manufacturing capacity in 2003 to meet anticipated market demand.

(more)

Corning Announces Fourth Quarter Results  
Page Three

### Full-Year Results

Corning's 2002 sales from continuing operations were \$3.16 billion. The year's losses from continuing operations were \$1.78 billion, or \$1.85 per share. This includes restructuring and impairment charges of \$1.50 billion after-tax and minority interest, or \$1.45 per share, and a \$0.12 per share reduction for preferred dividends declared, offset by after-tax gains of \$108 million from the repurchase of debt. Income from discontinued operations was \$478 million, or \$0.46 per share, and included the gain on sale of the precision lens business of \$415 million after-tax. In total, Corning's net loss attributable to common shareholders for the year was \$1.43 billion, or \$1.39 per share.

### 2002 Liquidity

Corning ended the fourth quarter with \$2.09 billion in cash and short-term investments, up from \$1.60 billion at the end of the third quarter. The increase in cash balances quarter-to-quarter is primarily due to the net proceeds of approximately \$800 million from the sale of the precision lens business. Corning used \$125 million in cash during the fourth quarter to retire debt through open market purchases.

Corning retired \$788 million in short, and long-term debt in the past year and raised net proceeds of \$442 million in connection with the issuance of a 7.00% mandatory convertible preferred stock offering. Corning ended the year with a debt-to-capital ratio of 46.7%. Corning continues to have complete access to its unused \$2 billion revolving line of credit.

In January 2003, Corning used \$158 million of cash to repurchase debt through open-market purchase transactions.

### Outlook

James B. Flaws, vice chairman and chief financial officer, said, "We are pleased that 2002 is behind us. It was a difficult and disappointing year for Corning's shareholders, our employees and the communities in which we operate. The restructuring actions we took throughout the past year have brought our cost structure in line with business expectations. These actions will help us achieve our goal of being profitable in 2003. We will continue to strengthen our balance sheet by reducing debt. We intend to invest in research and development in

## Edgar Filing: CORNING INC /NY - Form 8-K

support of existing growth businesses such as LCD, as well as emerging opportunities including chemical processing and diesel emissions control."

(more)

Corning Announces Fourth Quarter Results  
Page Four

Flaws said the company will provide first-quarter 2003 financial guidance at its annual investor conference at the Pierre Hotel in New York City on Friday, February 7, 2003 and simultaneously via audio webcast. Investors will hear from Houghton, Flaws, Corning's President and Chief Operating Officer Wendell P. Weeks and Corning Technologies President Peter F. Volanakis. Additional information on the conference can be found at the company's investor relations site at [www.corning.com](http://www.corning.com).

### About Corning Incorporated

Established in 1851, Corning Incorporated ([www.corning.com](http://www.corning.com)) creates leading-edge technologies that offer growth opportunities in markets that fuel the world's economy. Corning manufactures optical fiber, cable and photonic products in its Telecommunications segment. Corning's Technologies segment manufactures high-performance display glass, and products for the environmental, life sciences, and semiconductor markets.

### Conference Call Information

The company will host a conference call at 8:30 a.m. EST on Friday, January 24, 2003. To access the call, dial (630) 395-0023. The password is Earnings. The leader is Sofio. A replay of the call will begin at approximately 10:30 a.m. EST and will run through 5 p.m. EST on Thursday, February 6, 2003. To access the replay, dial (402) 220-4612; a password is not required. A live audio webcast will be available at [www.corning.com/investor\\_relations/](http://www.corning.com/investor_relations/) 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.

Edgar Filing: CORNING INC /NY - Form 8-K

###

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

	For the three months ended December 31,		For
	2002	2001	2002
Net sales	\$ 736	\$ 917	\$ 3,1
Cost of sales	631	896	2,5
Gross margin	105	21	6
Operating expenses:			
Selling, general and administrative expenses	183	296	7
Research, development and engineering expenses	113	145	4
Amortization of purchased intangibles	10	40	
Amortization of goodwill		35	
Restructuring, impairment and other charges	1,461	606	2,0
Operating loss	(1,662)	(1,101)	(2,7
Interest income	7	18	
Interest expense	(43)	(48)	(1
Gain on repurchases of debt	86		1
Other (expense) income, net	(28)	1	(
Loss from continuing operations before income taxes	(1,640)	(1,130)	(2,7
Benefit for income taxes	(401)	(411)	(7
Loss from continuing operations before minority interests and equity earnings	(1,239)	(719)	(1,9
Minority interests	81	24	
Equity in earnings of associated companies, net of impairments	19	29	1
Loss from continuing operations	(1,139)	(666)	(1,7
Income from discontinued operations, net of income taxes	430	11	4
Net loss	(709)	(655)	(1,3
Dividend requirements of preferred stock		(1)	(1

Edgar Filing: CORNING INC /NY - Form 8-K

Loss attributable to common shareholders	\$ (709)	\$ (656)	\$ (1,4
	=====	=====	=====
Basic and diluted (loss) earnings per common share from:			
Continuing operations	\$ (0.96)	\$ (0.71)	\$ (1.
Discontinued operations	0.36	0.02	0.
	-----	-----	-----
Net loss per common share	\$ (0.60)	\$ (0.69)	\$ (1.
	=====	=====	=====
Shares used in computing per share amounts for basic and diluted loss per common share	1,188	944	1,0
	=====	=====	=====

The accompanying notes are an integral part of these statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEETS  
(Unaudited; in millions)

December 31, 2002

Assets

Current assets:

Cash and cash equivalents	\$ 1,471
Short-term investments, at fair value	619
	-----
Total cash and short-term investments	2,090
Trade accounts receivable, net of doubtful accounts and allowances - \$59 and \$60	470
Inventories	559
Deferred income taxes	296
Other current assets	410
	-----
Total current assets	3,825
	-----

Restricted cash and investments

82

Investments:

Associated companies, at equity	746
Others, at cost or fair value	23
	-----
Total investments	769
	-----

Property, net of accumulated depreciation - \$3,375 and \$3,101	3,705
Goodwill, net of accumulated amortization - \$661	1,715
Other intangible assets, net of accumulated amortization - \$104 and \$90	261
Deferred income taxes	887
Other assets	304
	-----

Edgar Filing: CORNING INC /NY - Form 8-K

Total Assets	\$ 11,548
	=====
Liabilities and Shareholders' Equity	
Current liabilities:	
Loans payable	\$ 204
Accounts payable	339
Other accrued liabilities	1,137
	-----
Total current liabilities	1,680
	-----
Long-term debt	3,963
Postretirement benefits other than pensions	617
Pensions	455
Other liabilities	83
Commitments and contingencies	
Minority interests	59
Series B Convertible preferred stock	
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: 1.55 million	155
Common stock - Par value \$0.50 per share; Shares authorized:	
3.8 billion; Shares issued: 1,267 million and 1,023 million	634
Additional paid-in capital	9,695
Accumulated deficit	(4,921)
Treasury stock, at cost: 70 million and 79 million	(702)
Accumulated other comprehensive loss	(170)
	-----
Total shareholders' equity	4,691
	-----
Total Liabilities and Shareholders' Equity	\$ 11,548
	=====

The accompanying notes are an integral part of these statements.

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

	For t
	De
	-----
	2002
	-----
Cash Flows from Operating Activities:	
Loss from continuing operations	\$ (1,78
Adjustments to reconcile loss from continuing operations	
to net cash (used in) provided by operating activities:	
Amortization of purchased intangibles	4



Edgar Filing: CORNING INC /NY - Form 8-K

Amortization of goodwill	61
Depreciation	2,08
Restructuring, impairment and other charges	(17
Inventory write-down	(2
Gain on repurchases of debt	(9
Stock compensation charges	(62
Equity in earnings of associated companies in excess of dividends received	3
Minority interests, net of dividends paid	(27
Deferred tax benefit	(5
Interest expense on convertible debentures	(4
Tax benefit on stock options	(2
Restructuring payments	(32
Increases in restricted cash	
Changes in certain working capital items	
Other, net	
Net cash (used in) provided by operating activities	
Cash Flows from Investing Activities:	
Capital expenditures	(35
Acquisitions of businesses, net of cash acquired	(5
Proceeds from sale or disposal of assets, net	9
Net increase in long-term investments and other long-term assets	(3
Proceeds from sale of precision lens business, net	78
Short-term investments - acquisitions	(2,17
Short-term investments - liquidations	2,74
Restricted investments - acquisitions	(11
Restricted investments - liquidations	8
Other, net	(
Net cash provided by (used in) investing activities	96
Cash Flows from Financing Activities:	
Net (decrease) increase in loans payable	(49
Proceeds from issuance of long-term debt	1
Repayments of long-term debt	(32
Redemption of Series B preferred stock	(
Proceeds from issuance of Series C preferred stock, net	55
Proceeds from issuance of common stock, net	5
Repurchases of common stock	(2
Redemption of common stock for income tax withholding	(
Cash dividends paid to preferred and common shareholders	(8
Net cash (used in) provided by financing activities	(31
Effect of exchange rates on cash	4
Cash provided by (used in) continuing operations	37
Cash provided by (used in) discontinued operations	6
Net increase (decrease) in cash and cash equivalents	43
Cash and cash equivalents at beginning of year	1,03
Cash and cash equivalents at end of year	\$ 1,47

The accompanying notes are an integral part of these statements.

# Edgar Filing: CORNING INC /NY - Form 8-K

CORNING INCORPORATED AND SUBSIDIARY COMPANIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 Quarter 4, 2002  
 (Unaudited)

## 1. Discontinued Operations

On December 13, 2002, Corning completed the sale of its precision lens business based in Cincinnati, OH to 3M Company. The cash proceeds from the sale approximated \$800 million and the gain on the sale is approximately \$415 million, net of tax. Also, in 2003 Corning could receive approximately \$50 million of additional proceeds related to this transaction.

The precision lens business is accounted for as a discontinued operation and therefore, its results of operations and cash flows have been removed from Corning's results of continuing operations for all periods presented.

Summarized selected financial information related to the precision lens business is as follows:

(Dollars in millions)

	For the three months ended December 31,		For the year ended December 31,	
	2002	2001	2002	2001
Net sales	\$ 65	\$ 57	\$ 268	\$ 225
	=====	=====	=====	=====
Income (loss) before taxes	\$ 26	\$ (1)	\$ 100	\$ 50
Gain on sale before taxes	652		652	
Income tax expense (benefit)	248	(12)	274	16
	-----	-----	-----	-----
Net income	\$ 430	\$ 11	\$ 478	\$ 34
	=====	=====	=====	=====

## 2. Restructuring Actions

### Fourth Quarter

On October 30, 2002, Corning announced its intent to take additional measures to attain profitability in 2003. The continued decline in demand in the Telecommunications Segment required further restructuring to bring capacity in line with current revenues. The fourth quarter actions included:

- .. closings of two fiber manufacturing facilities and the mothballing of another,
- .. reductions in capacity and employment in Corning's cabling and hardware and equipment locations worldwide, and
- .. permanent closure of the photonic technologies thin film filter manufacturing facility in Marlborough, MA.

In addition, Corning decided to divest its portfolio of cost investments in private telecommunications related businesses.

## Edgar Filing: CORNING INC /NY - Form 8-K

As a result of these actions, Corning recorded a charge of \$652 million (\$516 million after-tax) impacting approximately 2,500 employees which included a restructuring charge of \$190 million, a charge to impair plant and equipment of \$415 million and a \$47 million write-down of cost investments. Approximately one quarter of this charge is expected to be paid in cash. Corning recorded \$1,271 million (\$929 million after-tax and minority interest) for restructuring actions for the full year.

### Restructuring Charges

During the fourth quarter, Corning recorded restructuring charges of \$190 million. The charge included employee separation costs of \$137 million (including curtailment losses related to pension and health care plans) and exit costs of \$62 million offset by a \$9 million reduction in the 2001 restructuring reserves. During the fourth quarter Corning paid employee related separation costs of \$78 million and other exit costs of \$5 million. For the full year Corning recorded charges of \$376 million for employee separation costs and \$85 million of exit costs offset by a \$14 million reduction in reserves from the 2001 Restructuring Actions. As of December 31, 2002, approximately 5,100 of the 7,100 employees had been separated under the plans.

### Impairment of Plant and Equipment

Corning recorded \$421 million in the fourth quarter to impair plant and equipment relating to facilities to be shutdown or disposed, offset by a \$6 million reduction in the impairments resulting from the 2001 Restructuring Actions. For the full year, Corning recorded \$712 million for impairment charges related to plant and equipment, offset by an \$11 million reduction in impairments related to 2001 Restructuring Actions.

### 3. Impairment of Long-Lived Assets Other Than Goodwill

#### Photonic Technologies Business

The photonic technologies business is a manufacturer of photonic modules and components for the worldwide telecommunications industry and is reported in the Telecommunications Segment. The telecommunications market is undergoing a dramatic decline in demand for telecommunication products as major buyers of network equipment in this industry have reduced their capital spending plans over the past two years and are expected to continue in the near future. This negative trend is expected to continue into the foreseeable future. Corning continues to evaluate strategic alternatives for this business.

In the fourth quarter, Corning determined that a test for impairment of long-lived assets in this business was appropriate and that the carrying value of the long-lived assets of this business are not recoverable. As a result, Corning recorded a \$269 million (\$195 million after-tax) write-down of the assets, which was reflected in the line item "Restructuring, impairment and other charges" in the income statement.

#### Conventional Video Components Business

Corning Asahi Video Products Company, a 51% owned consolidated subsidiary, (conventional video components business) is a manufacturer of glass panels and funnels for use in conventional tube televisions and is reported in the Technologies Segment. The conventional tube television segment of the market in North America is very mature and the conventional tube market is undergoing intense competition and price pressure at this time.

## Edgar Filing: CORNING INC /NY - Form 8-K

This market trend combined with cash losses in this business in the short-term indicated an evaluation for the recoverability of the long-lived assets of the business was required and management determined that the long-lived assets of the business have been impaired. This evaluation resulted in a \$140 million (\$44 million after-tax and minority interest) write-down of the assets, which was reflected in the line item "Restructuring, impairment and other charges" in the income statement.

### 4. Impairment of Goodwill

Corning adopted Statement of Financial Accounting Standards (SFAS) No. 142, which requires that goodwill be reviewed for impairment upon adoption of SFAS No. 142 (January 1, 2002) and annually thereafter. Corning performed an initial benchmark assessment upon adoption at January 1, 2002, and determined that a transition charge was not required. Corning chose the fourth quarter to conduct its annual test for impairment.

Upon completion of the annual assessment, Corning recorded an impairment charge of \$400 million (\$294 million after-tax) to reduce the carrying value of goodwill in the telecommunications reporting unit to its estimated fair value of \$1.6 billion. The impairment charge is non-cash in nature.

### 5. Gain on Repurchases of Debt

During the fourth quarter of 2002, Corning repurchased and retired a portion of its zero coupon convertible debentures with an accreted value of \$215 million in exchange for cash of \$125 million in a series of open-market repurchases. Corning recorded a gain of \$86 million (\$53 million after-tax) on these transactions, net of the write-off of the unamortized issuance costs.

Corning repurchased and retired zero-coupon convertible debentures with an accreted value of \$493 million in exchange for cash of \$308 million for the year ended December 31, 2002. Corning has recorded gains of \$176 million (\$108 million after-tax) on these transactions for the year ended December 31, 2002.

Through January 23, 2003, Corning spent \$158 million of cash to repurchase and retire additional zero-coupon convertible debentures.

### 6. Income Taxes

Corning's effective income tax benefit rate for the three and twelve month periods ended December 31, 2002, was 24.4% and 26.7%, respectively. The income tax benefit rate in the fourth quarter and the year end 2002 was impacted by restructuring, impairment and other charges and the gain on repurchases of debt. The effective income tax benefit rate without consideration of these items for the fourth quarter and the year end 2002 was 33.9% and 30.0%. The effective income tax benefit rate in the fourth quarter and the year ended is lower than the U.S. federal statutory income tax rate of 35% due to the impact of nondeductible expenses and losses.

The effective income tax benefit rate for the three and twelve months ended December 31, 2001, was 36.4% and 7.6%. The effective income tax benefit rate for the full year is much lower than the U.S. federal statutory income tax rate primarily due to non-tax deductible impairment and amortization of acquired intangibles and goodwill.

### 7. Equity in Earnings of Associated Companies

## Edgar Filing: CORNING INC /NY - Form 8-K

Equity earnings in the fourth quarter included charges of \$20 million primarily due to an equity investee incurring restructuring and impairment charges. Equity earnings for the full year included \$34 million of impairments as Corning impaired an international cabling venture for \$14 million in the second quarter. These charges are included in the results of the Telecommunications Segment.

### 8. Supplementary Statement of Cash Flows Data

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

	For the year ended December 31,	
	2002	2001
Changes in certain working capital items:		
Trade accounts receivable	\$ 153	\$ 666
Inventories	135	(47)
Other current assets	(171)	92
Accounts payable and other current liabilities, net of restructuring payments	(160)	(471)
Total	\$ (43)	\$ 240

### 9. Operating Segments

Corning previously grouped its products into three operating segments: Telecommunications, Advanced Materials and Information Display. Beginning in the fourth quarter of 2002, Corning's reportable segments consist of the following: Telecommunications and Technologies. As a result of the fourth quarter sale of the precision lens business and the reduced significance of the conventional video components business, management realigned the remainder of the Information Display Segment with the businesses previously reported in the Advanced Materials Segment to create the Technologies Segment. The precision lens business is reported as a discontinued operation and therefore its results have been excluded from segment reporting. Also, 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 and acquisition-related charges by segment but excluded this from quantitative segment results. These charges have now been included in the segment net income and historical periods have been conformed to this presentation. Corning also includes the earnings of equity affiliates that are closely associated with Corning's operating segments in segment net income. Segment amounts exclude revenues, expenses and equity earnings not specifically identifiable to segments.

Corning prepared the financial results for its 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 certain common expenses among segments

Edgar Filing: CORNING INC /NY - Form 8-K

differently than it would for stand alone financial information prepared in accordance with generally accepted accounting principles. These expenses include interest, taxes and corporate functions. Segment net income may not be consistent with measures used by other companies.

(\$ in millions)

	For the three months ended December 31,	
	2002	2001
	-----	-----
<b>Telecommunications</b>		
Net sales	\$ 363	\$ 543
Research, development and engineering expenses	\$ 65	\$ 108
Restructuring, impairment and other charges (related tax benefit, \$299, \$119, \$452, \$282, respectively)	\$ 1,263	\$ 293
Interest expense	\$ 15	\$ 32
Income tax benefit	\$ (376)	\$ (249)
Segment loss before minority interests and equity earnings	\$ (1,123)	\$ (451)
Minority interests	1	
Equity in (losses) earnings of associated companies, net of impairments (a)	(34)	(3)
	-----	-----
Segment net loss	\$ (1,156)	\$ (454)
	=====	=====
<b>Technologies</b>		
Net sales	\$ 367	\$ 367
Research, development and engineering expenses	\$ 50	\$ 40
Restructuring, impairment and other charges (related tax benefit, \$27, \$48, \$30, \$48, respectively)	\$ 141	\$ 122
Interest expense	\$ 19	\$ 15
Income tax benefit	\$ (33)	\$ (53)
Segment loss before minority interests and equity earnings	\$ (132)	\$ (126)
Minority interests (includes \$68, \$0, \$70, \$0, respectively, related to impairment and restructuring charges)	80	24
Equity in earnings of associated companies	51	32
	-----	-----
Segment net (loss) income	\$ (1)	\$ (70)
	=====	=====
<b>Total Segments</b>		
Net sales	\$ 730	\$ 910
Research, development and engineering expenses	\$ 115	\$ 148
Restructuring, impairment and other charges (related tax benefit, \$326, \$167, \$482, \$330, respectively)	\$ 1,404	\$ 415
Interest expense	\$ 34	\$ 47
Income tax benefit	\$ (409)	\$ (302)
Segment loss before minority interests and equity earnings	\$ (1,255)	\$ (577)
Minority interests	81	24
Equity in earnings of associated companies, net of impairments (a)	17	29
	-----	-----
Segment net loss	\$ (1,157)	\$ (524)
	=====	=====

Edgar Filing: CORNING INC /NY - Form 8-K

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):

	For the three months ended December 31,	
	2002	2001
	-----	-----
Net Sales		
Total segment net sales	\$ 730	\$ 910
Non-segment net sales (b)	6	7
	-----	-----
Total net sales	\$ 736	\$ 917
	=====	=====
Loss from Continuing Operations		
Total segment net loss (c)	\$ (1,157)	\$ (524)
Unallocated items:		
Non-segment income (loss) and other (b)	(12)	(43)
Amortization of goodwill (d)		(35)
Non-segment restructuring, impairment and other charges (e)	(57)	(191)
Interest income (f)	7	18
Gain on repurchases of debt (f)	86	
Income tax (expense) benefit (g)	(8)	109
Minority interests		
Equity in earnings of associated companies (b)	2	
	-----	-----
Loss from continuing operations	\$ (1,139)	\$ (666)
	=====	=====

- (a) Equity losses in 2002 include \$20 million of charges primarily related to restructuring and impairments recorded in the fourth quarter. See Note 7.
- (b) Includes amounts derived from corporate investments and activities.
- (c) Includes royalty, interest and dividend income.
- (d) Amortization of goodwill relates primarily to the Telecommunications Segment.
- (e) Amount includes special termination benefits and pension and postretirement benefit curtailment charges of \$5 million and \$40 million recorded in the fourth quarter and full year of 2002, respectively. The balance of the charge relates to restructuring and impairment charges in the corporate research and administrative staff organizations.
- (f) Corporate interest income and gain on repurchases of debt is not allocated to reportable segments.
- (g) Includes tax associated with unallocated items.

10. Accounting Change

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142,

Edgar Filing: CORNING INC /NY - Form 8-K

"Goodwill and Other Intangible Assets." Among other provisions, goodwill will no longer be amortized but will be subject to impairment tests at least annually. SFAS No. 142 was effective for Corning on January 1, 2002. Corning completed its initial impairment review during the first quarter and concluded a transitional impairment charge from the adoption of the standard was not required.

Corning has selected the fourth quarter to conduct annual impairment tests. See Note 4 for the results of the impairment test. The goodwill related to the Telecommunications Segment is \$1.6 billion at December 31, 2002.

The following table presents a reconciliation of reported net loss and loss per share to adjusted net loss and loss per share, as if SFAS No. 142 had been in effect as follows:

(In millions, except per share amounts)	For the three months ended December 31, 2001
Reported net loss	\$ (655)
Addback: Amortization of goodwill, net of income taxes	31
Adjusted net loss	\$ (624)
Reported loss per share - basic and diluted	\$ (0.69)
Addback: Amortization of goodwill, net of income taxes	0.03
Adjusted loss per share - basic	\$ (0.66)

11. Reclassifications

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENTS OF INCOME  
RESTATED FOR PRESENTATION OF PRECISION LENS AS A DISCONTINUED OPERATING SEGMENT  
(Unaudited; in millions, except per share amounts)

For the three months ended March 31, 2002	For the three months ended June 30, 2002	For the months e Sept. 2002
-----	-----	-----



Edgar Filing: CORNING INC /NY - Form 8-K

Net sales	\$ 839	\$ 827	\$ 7
Cost of sales	655	643	6
	-----	-----	-----
Gross margin	184	184	1
Operating expenses:			
Selling, general and administrative expenses	188	188	1
Research, development and engineering expenses	126	131	1
Amortization of purchased intangibles	11	11	
Restructuring, impairment and other charges		494	1
	-----	-----	-----
Operating loss	(141)	(640)	(2)
Interest income	14	10	
Interest expense	(48)	(44)	(
Gain on repurchases of debt		68	
Other expense, net	(9)		
	-----	-----	-----
Loss from continuing operations before income taxes	(184)	(606)	(2)
Income tax benefit	(50)	(184)	(
	-----	-----	-----
Loss from continuing operations before minority interests and equity earnings	(134)	(422)	(1
Minority interests	6	6	
Equity in earnings of associated companies, net of impairments	30	25	
	-----	-----	-----
Loss from continuing operations	(98)	(391)	(1
Income from discontinued operations, net of income taxes	8	21	
	-----	-----	-----
Net loss	(90)	(370)	(1
Dividend requirements of preferred stock			(1
	-----	-----	-----
Loss attributable to common shareholders	\$ (90)	\$ (370)	\$ (2
	=====	=====	=====
Basic and diluted (loss) earnings per common share			
Continuing operations	\$ (0.10)	\$ (0.41)	\$ (0.
Discontinued operations		0.02	0.
	-----	-----	-----
Net loss per common share	\$ (0.10)	\$ (0.39)	\$ (0.
	=====	=====	=====
Shares used in computing per share amounts for basic and diluted loss per common share	945	948	1,0
	=====	=====	=====

The accompanying notes are an integral part of these statements.

Edgar Filing: CORNING INC /NY - Form 8-K

CORNING INCORPORATED AND SUBSIDIARY COMPANIES  
OPERATING SEGMENTS  
RESTATED FOR NEW SEGMENT AND DISCONTINUED OPERATIONS PRESENTATION  
(Unaudited, in millions)

	For the three months ended March 31, 2002	For the three months ended June 30, 2002	For the months e Sept. 2002
	-----	-----	-----
<b>Telecommunications</b>			
Net sales	\$ 465	\$ 437	\$ 3
Research, development and engineering expenses	\$ 86	\$ 86	\$
Restructuring, impairment and other charges (related tax benefit, \$0, \$125, \$28 and \$153, respectively)		\$ 369	\$
Interest expense	\$ 32	\$ 25	\$
Income tax benefit	\$ (64)	\$ (191)	\$ (
Segment loss before equity earnings	\$ (138)	\$ (384)	\$ (1
Equity in losses of associated companies	(4)	(17)	
Segment net loss	\$ (142) =====	\$ (401) =====	\$ (1 =====
<b>Technologies</b>			
Net sales	\$ 369	\$ 385	\$ 3
Research, development and engineering expenses	\$ 40	\$ 45	\$
Restructuring, impairment and other charges (related tax benefit, \$0, \$1, \$2 and \$3, respectively)		\$ 3	\$
Interest expense	\$ 16	\$ 17	\$
Income tax (benefit) expense	\$ (1)	\$ 5	\$
Segment loss before minority interests and equity earnings	\$ (4)	\$ (4)	\$
Minority interests	6	5	
Equity in earnings of associated companies	33	41	
Segment net income	\$ 35 =====	\$ 42 =====	\$ =====
<b>Total Segments</b>			
Net sales	\$ 834	\$ 822	\$ 7
Research, development and engineering expenses	\$ 126	\$ 131	\$ 1
Restructuring, impairment and other charges (related tax benefit, \$0, \$126, \$30 and \$156, respectively)		\$ 372	\$
Interest expense	\$ 48	\$ 42	\$
Income tax benefit	\$ (65)	\$ (186)	\$ (
Segment loss before minority interests and equity earnings	\$ (142)	\$ (388)	\$ (1
Minority interests	6	5	
Equity in earnings of associated companies	29	24	
Segment net loss	\$ (107) =====	\$ (359) =====	\$ (1 =====

CORNING INCORPORATED AND SUBSIDIARY COMPANIES  
OPERATING SEGMENTS  
RESTATED FOR NEW SEGMENT AND DISCONTINUED OPERATIONS PRESENTATION  
(Unaudited, in millions)

	For the three months ended March 31, 2002 -----	For the three months ended June 30, 2002 -----	For the months e Sept. 2002 -----
Reconciliation:			
Net sales			
Total segment net sales	\$ 834	\$ 822	\$ 7
Non-segment net sales	5	5	
	-----	-----	-----
Total net sales	\$ 839 =====	\$ 827 =====	\$ 7 =====
Loss from Continuing Operations			
Total segment loss	\$ (107)	\$ (359)	\$ (1
Unallocated items:			
Non-segment income (loss) and other	9	12	
Non-segment restructuring, impairment and other charges		(122)	(
Interest income	14	10	
Gain on repurchases of debt		68	
Income tax (expense) benefit	(15)	(2)	
Minority interests		1	
Equity in earnings of associated companies	1	1	
	-----	-----	-----
Loss from continuing operations	\$ (98) =====	\$ (391) =====	\$ (1 =====

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

	2002			
	Q1	Q2	Q3	Q4
	-----	-----	-----	-----

Telecommunications

Edgar Filing: CORNING INC /NY - Form 8-K

Fiber and cable	\$ 255	\$ 212	\$ 195	\$
Hardware and equipment	135	153	136	
Photonic technologies (a)	36	39	17	
Controls and connectors	39	33	18	
	-----	-----	-----	-----
Segment net sales	\$ 465	\$ 437	\$ 366	\$
	=====	=====	=====	=====

Technologies				
Display technologies	\$ 93	\$ 102	\$ 106	\$
Environmental	94	102	102	
Life sciences	70	74	71	
Conventional video components	43	41	47	
Other technologies businesses	69	66	66	
	-----	-----	-----	-----
Segment net sales	\$ 369	\$ 385	\$ 392	\$
	=====	=====	=====	=====

			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	\$
	=====	=====	=====	=====
Technologies				
Display technologies	\$ 62	\$ 87	\$ 79	\$
Environmental	108	96	90	
Life sciences	70	69	65	
Conventional video components	86	73	47	
Other technologies businesses	104	86	79	
	-----	-----	-----	-----
Segment net sales	\$ 430	\$ 411	\$ 360	\$
	=====	=====	=====	=====

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

Edgar Filing: CORNING INC /NY - Form 8-K

Q4 '02 vs. Q3 '02

	For the three months December 31, 2002	Sep
	-----	-----
Net sales	\$ 736	\$
Cost of sales	631	---
	-----	---
Gross margin	105	
Operating expenses:		
Selling, general and administrative expenses	183	
Research, development and engineering expenses	113	
Amortization of purchased intangibles	10	
Restructuring, impairment and other charges	1,461	
	-----	---
Operating loss	(1,662)	
Interest income	7	
Interest expense	(43)	
Gain on repurchases of debt	86	
Other expense, net	(28)	
	-----	---
Loss from continuing operations before income taxes	(1,640)	
Benefit for income taxes	(401)	
	-----	---
Loss from continuing operations before minority interests and equity earnings	(1,239)	
Minority interests	81	
Equity in earnings of associated companies, net of impairments	19	
	-----	---
Loss from continuing operations	(1,139)	
Income from discontinued operations, net of income taxes	430	
	-----	---
Net loss	(709)	
Dividend requirements of preferred stock		
	-----	---
Net loss attributable to common shareholders	\$ (709)	\$
	=====	==
Basic and diluted loss per common share		
Continuing operations	(0.96)	
Discontinued operations	0.36	
	-----	---
Net loss per common share	\$ (0.60)	\$
	=====	==
Shares used in computing per share amounts for basic and diluted loss per common share	1,188	
	=====	==

Edgar Filing: CORNING INC /NY - Form 8-K

CORNING INCORPORATED AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEETS  
(Unaudited; in millions)  
Q4 '02 vs. Q3 '02

	December 2002 -----
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 1,4
Short-term investments, at fair value	6
	-----
Total cash and short-term investments	2,0
Trade accounts receivable, net of doubtful accounts and allowances - \$59 and \$48	4
Inventories	5
Deferred income taxes	2
Other current assets	4
	-----
Total current assets	3,8
	-----
<b>Restricted cash and investments</b>	
<b>Investments:</b>	
Associated companies, at equity	7
Others, at cost or fair value	
	-----
Total investments	7
	-----
Property, net of accumulated depreciation - \$3,375 and \$3,405	3,7
Goodwill, net of accumulated amortization - \$661	1,7
Other intangible assets, net of accumulated amortization - \$104 and \$120	2
Deferred income taxes	8
Other assets	3
	-----
<b>Total Assets</b>	<b>\$ 11,5</b> =====
<b>Liabilities and Shareholders' Equity</b>	
<b>Current liabilities:</b>	
Loans payable	\$ 2
Accounts payable	3
Other accrued liabilities	1,1
	-----
Total current liabilities	1,6
Long-term debt	3,9
Postretirement benefits other than pensions	6
Pensions	4
Other liabilities	
Commitments and contingencies	
Minority interests	

## Edgar Filing: CORNING INC /NY - Form 8-K

Series B convertible preferred stock

Shareholders' equity:

Preferred stock - Par value \$100.00 per share; Shares authorized: 10 million	1
Series C mandatory convertible preferred stock - Shares issued: 5.75 million; Shares outstanding: 1.55 million and 2.45 million	6
Common stock - Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,267 million and 1,222 million	9,6
Additional paid in capital	(4,9
Accumulated deficit	(7
Cost of 70 million and 74 million shares of common stock in treasury	(1
Accumulated other comprehensive loss	-----

Total shareholders' equity

4,6  
-----

Total Liabilities and Shareholders' Equity

\$ 11,5  
=====

CORNING INCORPORATED AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited; in millions)  
Q4 '02 vs. Q3 '02

For the three m  
December 31,  
2002  
-----

Cash Flows from Operating Activities:

Loss from continuing operations	\$(1,139)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:	
Amortization of purchased intangibles	10
Depreciation	147
Restructuring, impairment and other charges	1,461
Gain on repurchases of debt	(86)
Equity in earnings of associated companies in excess of dividends received	(21)
Minority interests, net of dividends paid	(81)
Deferred tax benefit	(479)
Interest expense on convertible debentures	8
Restructuring payments	(83)
Increases in restricted cash	(33)
Changes in certain working capital items	148
Other, net	45
	-----

Net cash used in operating activities

(103)  
-----

Cash Flows from Investing Activities:

Capital expenditures	(78)
Acquisitions of businesses, net of cash acquired	(27)
Proceeds from sale or disposal of assets, net	30
Net increase in long-term investments and other long-term assets	(13)

Edgar Filing: CORNING INC /NY - Form 8-K

Proceeds from sale of precision lens business, net	787
Short-term investments - acquisitions	(620)
Short-term investments - liquidations	619
Restricted investments - acquisitions	
Restricted investments - liquidations	21
	-----
Net cash provided by (used in) investing activities	719
	-----
Cash Flows from Financing Activities:	
Net increase (decrease) in loans payable	12
Repayments of long-term debt	(135)
Redemption of Series B preferred stock	
Proceeds from issuance of Series C preferred stock, net	(1)
Proceeds from issuance of common stock, net	5
Redemption of common stock for income tax withholding	
Repurchases of common stock	
Cash dividends paid to preferred shareholders	(21)
	-----
Net cash (used in) provided by financing activities	(140)
	-----
Effect of exchange rate changes on cash and cash equivalents	20
	-----
Cash provided by continuing operations	496
Cash (used in) provided by discontinued operations	(8)
	-----
Net increase in cash and cash equivalents	488
Cash and cash equivalents at beginning of period	983
	-----
Cash and cash equivalents at end of period	\$ 1,471
	=====

CORNING INCORPORATED AND SUBSIDIARY COMPANIES  
OPERATING SEGMENTS  
(Unaudited; in millions)  
Q4 '02 vs. Q3 '02

For the  
three months ended  
December 31, 2002

Telecommunications	
Net sales	\$ 363
Research, development and engineering expenses	\$ 65
Restructuring, impairment and other charges (related tax benefit, \$299, \$28, respectively)	\$ 1,263
Interest expense	\$ 15
Income tax benefit	\$ (376)
Segment loss before minority interests and equity losses	\$ (1,123)
Minority interests	1
Equity in losses of associated companies, net of impairments	(34)



Edgar Filing: CORNING INC /NY - Form 8-K

Segment net loss	----- \$ (1,156) =====
Technologies	
Net sales	\$ 367
Research, development and engineering expenses	\$ 50
Restructuring, impairment and other charges (related tax benefit, \$27, \$2, respectively)	\$ 141
Interest expense	\$ 19
Income tax (benefit) expense	\$ (33)
Segment loss before minority interests and equity earnings	\$ (132)
Minority interests (includes \$68, \$2 related to impairment and restructuring charges)	80
Equity in earnings of associated companies	51
Segment net (loss) income	----- \$ (1) =====
Total Segments	
Net sales	\$ 730
Research, development and engineering expenses	\$ 115
Restructuring, impairment and other charges (related tax benefit, \$326, \$30, respectively)	\$ 1,404
Interest expense	\$ 34
Income tax benefit	\$ (409)
Segment loss before minority interests and equity earnings	\$ (1,255)
Minority interests	81
Equity in earnings of associated companies, net of impairments	17
Segment net loss	----- \$ (1,157) =====