

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

CORNING INC /NY
Form 8-K
April 22, 2002

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) April 22, 2002

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.

Item 7. Financial Statements and Exhibits.

Exhibits:

The Registrant's press release of April 22, 2002.

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

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: April 22, 2002

By /s/ KATHERINE A. ASBECK
Katherine A. Asbeck
Senior Vice President and Controller

FOR RELEASE: APRIL 22, 2002

Corning Contacts:

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

Investor Relations
Katherine M. Dietz
(607) 974-8217
dietzkm@corning.com

Corning Announces First-Quarter Results

CORNING, N.Y. - Corning Incorporated (NYSE:GLW) today announced that its first-quarter net loss was \$90 million or \$0.10 per share, a decline from 2001 first quarter net earnings of \$132 million, or \$0.14 per share, which included after-tax goodwill amortization of \$136 million, or \$0.15 per share.

"We are somewhat encouraged by the general direction of the results for the quarter. Sales began to stabilize compared to the quarter-to-quarter declines last year. Performance improved in our Environmental Technologies and Life Sciences businesses and the Display Technologies business continued its strong growth. Results were also favorably impacted by our cost savings actions. Unfortunately, the telecommunications market remains weak and continues to dampen our results," James B. Flaws, Corning's chief financial officer, said.

First-quarter Operating Results

First-quarter sales were \$898 million, compared with \$1.9 billion during the same period last year primarily due to the major falloff in the telecommunications segment. The rate of decline in Corning's sales slowed substantially in the first quarter as sales were 8% below fourth quarter 2001

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

sales of \$974 million. In comparison to 2001, fiber and cable sales continued to be negatively impacted by the global slowdown in the telecommunications sector. However, kilometer shipments of optical fiber to cabling grew 10% to 15% for the first quarter of 2002 compared with the fourth quarter of 2001, in line with the company's guidance, and shipments from Corning Cable Systems were also up in the same range.

Continued demand for notebook computers and flat panel desktop monitors drove a 16% sequential increase in volume of liquid crystal glass in the quarter. However, the translation impact of the weak yen resulted in consolidated sales for the Display Technologies business consistent with the fourth quarter of 2001. First-quarter sales for the Environmental Technologies business increased 11% over last year's fourth-quarter sales as U.S. auto manufacturers replenished inventory.

(more)

Corning Announces First-Quarter Results
Page Two

"We were very pleased to see the benefit of our restructuring actions from last year show up in reduced operating expenses compared with the fourth quarter of last year," Flaws said. Corning also noted that manufacturing cost reductions and the resumption of fiber production in the first quarter resulted in the sequential improvement in the company's gross margins.

Corning reported that it had \$1.8 billion in cash and short-term investments at the end of the first quarter, down from \$2.2 billion at the end of last year. The decline in cash and short-term investments includes approximately \$140 million of net debt repayments and \$60 million of restructuring payments.

Second-Quarter Outlook

The company expects second-quarter sales of approximately \$900 to \$925 million and a net loss similar to the first quarter's results, excluding previously announced restructuring charges. Corning said it anticipates continued growth in its liquid crystal display business with the increase in the popularity of flat-panel desktop monitors. The Advanced Materials segment is expected to post modest gains in line with general economic improvements. Shipments of fiber are expected to be consistent with the first quarter sequential volume growth of 10 to 15%. Price pressure is expected to erode these volume gains. Corning expects revenues in the Photonics Technologies business to continue to be very weak.

Last week, the company announced that it plans a new series of restructuring actions to further reduce costs that will result in total restructuring and impairment charges in the range of \$600 million pretax spread over the second and third quarters. Flaws said, "While we have not reached any specific decisions on our actions, we must adjust our cost structure to meet the new realities of today's marketplace. We will be making specific announcements over the course of the second quarter which will outline details of our restructuring program."

James R. Houghton, chairman and chief executive officer, said, "At its core, Corning is a technology company with a leadership position in telecommunications and the optical revolution. We intend to strengthen our industry leadership position and we will continue investing in technologies to build the next

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

generation of optical solutions. We also are committed to protecting and extending our technological advantage as the world's leading producer of glass substrates for flat panel displays, and leading-edge solutions for environmental technologies."

"In order to do so, the first priority of our new management team and the employees of Corning will be to return this company to profitability in 2003," he concluded.

(more)

Corning Announces First-Quarter Results
Page Three

About Corning Incorporated

Established in 1851, Corning Incorporated (www.corning.com) creates leading-edge technologies for the fastest-growing markets of the world's economy. Corning manufactures optical fiber, cable and photonic products for the telecommunications industry; and high-performance displays and components for television, information technology and other communications-related industries. The company also uses advanced materials to manufacture products for scientific, semiconductor and environmental markets. Corning revenues for 2001 were \$6.3 billion.

###

Conference Call Information

The company will host a conference call at 8:30 a.m. EST on Tuesday, April 23, 2002. To access the call, dial 712-271-0936. The password is Earnings. The leader is Dietz. A replay of the call will begin at approximately 10:30 a.m. and will run through 5 p.m. EST on Monday, May 6, 2002. To access the replay, dial 402-998-0863; a password is not required. To listen to a live audio webcast of the call, go to http://www.corning.com/investor_relations/ and follow the instructions. The webcast will be archived on the http://www.corning.com/investor_relations/ site 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 March 31,	
	----- 2002 -----	
Net sales	\$ 898	\$
Cost of sales	694	
	-----	-----
Gross margin	204	
Operating expenses:		
Selling, general and administrative expenses	190	
Research, development and engineering expenses	128	
Amortization of purchased intangibles	11	
Amortization of goodwill		
	-----	-----
Operating (loss) income	(125)	
Interest income	14	
Interest expense	(48)	
Other expense, net	(9)	
	-----	-----
(Loss) income before income taxes	(168)	
(Benefit) provision for income taxes	(42)	
	-----	-----
(Loss) income before minority interest and equity earnings	(126)	
Minority interest in losses (earnings) of subsidiaries	6	
Equity in earnings of associated companies	30	
	-----	-----
Net (loss) income	\$ (90)	\$
	=====	=====
Basic and diluted (loss) earnings per share	\$ (0.10)	\$
	=====	=====
Net (loss) income adjusted for the impact of SFAS No. 142 in 2001	\$ (90)	\$
	=====	=====
Basic and diluted (loss) earnings per share adjusted for the impact of SFAS No. 142 in 2001	\$ (0.10)	\$
	=====	=====
Shares used in computing per share amounts:		

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

Basic	945	=====	=====
Diluted	945	=====	=====
Diluted - adjusted for SFAS No. 142 in 2001	945	=====	=====

The accompanying notes are an integral part of these statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

	Unaudited March 31, 2002 -----	December 2001 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 958	\$ 1,0
Short-term investments, at fair value	867	1,1
	-----	-----
Total cash and short-term investments	1,825	2,2
Trade accounts receivable, net of doubtful accounts and allowances - \$54, \$60 and \$47	616	5
Inventories	717	7
Deferred income taxes	329	3
Other current assets	209	2
	-----	-----
Total current assets	3,696	4,1
Investments:		
Associated companies, at equity	616	6
Others, at cost or fair value	134	1
	-----	-----
Total investments	750	7
Property, plant and equipment, at cost, net of accumulated depreciation - \$3,222, \$3,067 and \$2,785	4,967	5,0
Goodwill, net of accumulated amortization - \$661, \$661 and \$445	1,941	1,9
Other intangible assets, net of accumulated amortization - \$99, \$90 and \$62	329	3
Other assets	605	5
	-----	-----
Total Assets	\$ 12,288	\$ 12,7
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Loans payable	\$ 385	\$ 4
Accounts payable	338	4

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

Other accrued liabilities	910	1,0
	-----	-----
Total current liabilities	1,633	1,9
Long-term debt	4,418	4,4
Postretirement benefits other than pensions	613	6
Other liabilities	189	1
Minority interest in subsidiary companies	113	1
Convertible preferred stock	7	
Common shareholders' equity:		
Common stock, including excess over par value and other capital - par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1.0 billion	10,039	10,0
(Accumulated deficit) retained earnings	(3,700)	(3,6
Less: cost of 77 million, 79 million and 76 million shares of common stock in treasury	(806)	(8
Accumulated other comprehensive loss	(218)	(1
	-----	-----
Total common shareholders' equity	5,315	5,4
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 12,288	\$ 12,7
	=====	=====

The accompanying notes are an integral part of these statements.

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

	For the three months ended	
	March 31	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net (loss) income	\$ (90)	\$
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Amortization of purchased intangibles	11	
Amortization of goodwill		
Depreciation	163	
Stock compensation charges	1	
Equity in earnings of associated companies less than (in excess of) dividends received	23	
Minority interest, net of dividends paid	(6)	
Deferred tax benefit	(70)	
Tax benefit on stock options		
Interest expense on convertible debentures	10	
Restructuring payments	(58)	
Changes in certain working capital items	(145)	
Other, net	(10)	
	-----	-----

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

Net cash (used in) provided by operating activities	(171)	-----
Cash flows from investing activities:		
Capital expenditures	(102)	
Acquisitions of businesses, net of cash acquired		
Net proceeds from sale or disposal of assets	5	
Net decrease (increase) in long-term investments and other long-term assets	1	
Short-term investments - acquisitions	(603)	
Short-term investments - liquidations	919	
Other, net	(1)	-----
Net cash provided by (used in) investing activities	219	-----
Cash flows from financing activities:		
Net repayments of short-term debt	(143)	
Proceeds from issuance of long-term debt	11	
Repayments of long-term debt	(4)	
Proceeds from issuance of common stock	15	
Redemption of common stock for income tax withholding		
Dividends paid		-----
Net cash used in financing activities	(121)	-----
Effect of exchange rates on cash	(6)	-----
Cash used in continuing operations	(79)	-----
Cash used in discontinued operations		-----
Net decrease in cash and cash equivalents	(79)	
Cash and cash equivalents at beginning of year	1,037	-----
Cash and cash equivalents at end of period	\$ 958	=====

The accompanying notes are an integral part of these statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Quarter 1, 2002

1. Information by Operating Segment

Information about the performance of Corning's three operating segments for the first quarter of 2002 and 2001 are presented below. These amounts exclude revenues, expenses and equity earnings not specifically identifiable to segments. Corning prepared the financial results for its three 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 some common expenses among segments differently than it would for stand alone financial information

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

prepared in accordance with generally accepted accounting principles. Segment net income may not be consistent with measures used by other companies.

(In millions)	Three months March 31
	2002
Telecommunications	
Net sales:	
Optical fiber and cable	\$ 255
Hardware and equipment	135
Photonic technologies	34
Controls and connectors	39
Optical networking devices	2
Total net sales	\$ 465
Research, development and engineering expenses	\$ 86
Interest expense	\$ 32
Segment (loss) earnings before equity (losses) earnings	\$ (138)
Equity in (losses) earnings of associated companies	(4)
Segment net (loss) income	\$ (142)
Advanced Materials	
Net sales:	
Environmental technologies	\$ 94
Life sciences	70
Other advanced materials	69
Total net sales	\$ 233
Research, development and engineering expenses	\$ 31
Interest expense	\$ 8
Segment earnings before equity earnings	\$ 1
Equity in earnings of associated companies	8
Segment net income	\$ 9
Information Display	
Net sales:	
Display technologies	\$ 93
Conventional video components	43
Precision lens	59
Total net sales	\$ 195
Research, development and engineering expenses	\$ 11
Interest expense	\$ 8
Segment earnings before minority interest and equity earnings	\$ 3
Minority interest in losses (earnings) of subsidiaries	6
Equity in earnings of associated companies	25
Segment net income	\$ 34

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

(In millions)	Three months March 31
	2002

Total segments	
Net sales	\$ 893
Research, development and engineering expenses	\$ 128
Interest expense	\$ 48
Segment (loss) earnings before minority interest and equity earnings	\$ (134)
Minority interest in losses (earnings) of subsidiaries	6
Equity in earnings of associated companies	29

Segment net (loss) income	\$ (99)
	=====

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):

	Three months March 31
	2002

Net sales	
Total segment net sales	\$ 893
Non-segment net sales (a)	5

Total net sales	\$ 898
	=====
Net income	
Total segment net (loss) income	\$ (99)
Unallocated items:	
Non-segment loss and other (a)	(1)
Amortization of goodwill (b)	
Interest income (c)	14
Income tax (d)	(5)
Equity in earnings of associated companies (a)	1

Net (loss) income	\$ (90)
	=====

(a) Includes amounts derived from corporate investments.

(b) Amortization of goodwill relates primarily to the Telecommunications

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

Segment.

- (c) Corporate interest income is not allocated to reportable segments.
- (d) Includes tax associated with unallocated items.

2. Income Taxes

Corning's effective income tax benefit rate for the three months ended March 31, 2002 was 25%. The effective tax benefit rate in the quarter is lower than the U.S. statutory income tax rate of 35% due to the impact of unusable tax credits and nondeductible expenses and losses.

3. Accounting Change

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," and SFAS No. 142, "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 would not be required.

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

(In millions, except per share amounts)	For the three months ended March 31,

Reported net income	\$ 1
Addback: Amortization of goodwill, net of income taxes	1

Adjusted net income	\$ 2
	=====
Reported earnings per share - basic	\$ 0.
Addback: Amortization of goodwill, net of income taxes	0.

Adjusted earnings per share - basic	\$ 0.
	=====
Reported earnings per share - diluted	\$ 0.
Addback: Amortization of goodwill, net of income taxes	0.

Adjusted earnings per share - diluted	\$ 0.
	=====

4. Supplementary Statement of Cash Flows Data

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

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

	For the three months
	----- 2002 -----
Changes in certain working capital items:	
Trade accounts receivable	\$ (33)
Inventories	5
Other current assets	34
Accounts payable and other current liabilities, net of restructuring payments	(151)

Total	\$ (145) =====

5. Reclassifications

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

CORNING INCORPORATED
QUARTERLY SALES INFORMATION
(In millions)

	2002			
	Q1	Q2	Q3	Q4
	-----	-----	-----	-----
Telecommunications				
Fiber and cable	\$ 255	\$	\$	\$
Hardware and equipment	135			
Photonic technologies	34			
Controls and connectors	39			
Optical networking devices	2			
	-----	-----	-----	-----
Segment net sales	\$ 465	\$	\$	\$
	=====	=====	=====	=====
Advanced Materials				
Environmental	\$ 94	\$	\$	\$
Life sciences	70			
Other advanced materials	69			
	-----	-----	-----	-----
Segment net sales	\$ 233	\$	\$	\$
	=====	=====	=====	=====
Information Display				
Display technologies	\$ 93	\$	\$	\$
Conventional video components	43			
Precision lens	59			

