



For generations to come

Just a few years ago, Corning was the first to produce Generation 4 size glass, the largest substrate at that time. Our customers could produce four LCD panels per substrate for 17-inch desktop monitors. In 2002, we were the first in the market to produce Generation 5 glass, which tripled the number of those same panels that could be produced per substrate.

In 2003, we again were the first to market with a new Generation 6 substrate. And our market-leading innovations continue. We recently developed Generation 7 substrate technology and Samsung Corning Precision has begun supplying commercial quantities of this new size to Korean display manufacturers. While barely more than a half-millimeter thick, it measures an astonishing 6 by 7 feet. A Generation 6 size substrate can produce eight 32-inch TV panels, and a Generation 7 substrate can produce 12 of the same-size panels. These large-generation substrates offer dramatic economies of scale for our customers.

In 2004, Display Technologies helped to strengthen Corning's long tradition of technical leadership and innovation. Our worldwide leadership position in the liquid crystal display (LCD) industry is founded on our proprietary fusion process, the attributes of our pristine glass, and our dedication to supplying the industry with substrates when — and where — they are needed. The LCD glass market volume grew by an impressive 60 percent in 2004, and we expect strong market growth to continue for the next several years.

Our customers are the market-leading LCD panel makers, and through our long-term relationships with them, we have gained an in-depth understanding of their complex challenges. To better serve them, we have facilities in Taiwan and Japan, and in Korea through Samsung Corning Precision Glass Co. Ltd., jointly owned by Samsung Electronics Co. Ltd. and Corning. The teams at these facilities also work closely with our research, development and commercial staff in Corning, N.Y. and with our LCD glass plant in Harrodsburg, Ky.

Our exceptionally clean, flat, stable substrates are foundation components upon which our customers manufacture display panels. Our innovations in LCD glass, which began in the 1970s, today are making possible smaller and lighter electronic devices, bigger screens, richer colors, and remarkably high-resolution images. Consumer demand is on the rise for high-definition LCD televisions, monitors, and portable display products. Corning and Samsung Corning Precision together supply the substrates used in the majority of these displays, so the demand for our substrates increases as these devices become more popular.

Due to growing screen sizes, a strong focus on cost reduction, and the transition to LCD television, the industry has migrated to the use of Generation 5 substrates and larger. These larger substrates are produced by scaling our proprietary fusion process and maintaining exacting quality requirements. This allows our customers to produce larger displays, as well as more panels per substrate. To respond to market growth, we invested nearly \$640 million last year for capital expansions. Most of that activity was in Taiwan, where we have begun construction on a second plant.

Since our fusion process is modular, we are particularly well-suited to address market fluctuations. We can tailor the rate of our expansions to meet the changing needs of our customers. We use multiple independent sources to develop our market forecasts, and analyze the impact of the market dynamics. We plan to take full advantage of our leading position and opportunities in this market.