

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

	Three months ended March 31,	
	2009	2008
Net sales	\$ 989	\$ 1,617
Cost of sales	719	773
Gross margin	270	844
Operating expenses:		
Selling, general and administrative expenses	207	242
Research, development and engineering expenses	151	151
Amortization of purchased intangibles	3	2
Restructuring, impairment and other charges and (credits) (Note 1)	165	(1)
Asbestos litigation charge (credit) (Note 2)	4	(327)
Operating (loss) income	(260)	777
Equity in earnings of affiliated companies (Note 3)	195	312
Interest income	7	30
Interest expense	(14)	(18)
Other income, net	20	2
(Loss) income before income taxes	(52)	1,103
Benefit (provision) for income taxes	66	(74)
Net income attributable to Corning Incorporated	\$ 14	\$ 1,029
Basic earnings per common share (Note 4)	\$ 0.01	\$ 0.66
Diluted earnings per common share (Note 4)	\$ 0.01	\$ 0.64
Dividends declared per common share	\$ 0.05	\$ 0.05

See accompanying notes to these financial statements.

Certain amounts for 2008 were reclassified to conform to the 2009 presentation.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,780	\$ 1,873
Short-term investments, at fair value	805	943
Total cash, cash equivalents and short-term investments	<u>2,585</u>	<u>2,816</u>
Trade accounts receivable, net of doubtful accounts and allowances	593	512
Inventories	731	798
Deferred income taxes	151	158
Other current assets	379	335
Total current assets	<u>4,439</u>	<u>4,619</u>
Investments	2,435	3,056
Property, net of accumulated depreciation	7,806	8,199
Goodwill and other intangible assets, net	302	305
Deferred income taxes	3,059	2,932
Other assets	137	145
Total Assets	<u>\$ 18,178</u>	<u>\$ 19,256</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 68	\$ 78
Accounts payable	542	846
Other accrued liabilities	982	1,128
Total current liabilities	<u>1,592</u>	<u>2,052</u>
Long-term debt	1,596	1,527
Postretirement benefits other than pensions	774	784
Other liabilities	1,521	1,402
Total liabilities	<u>5,483</u>	<u>5,765</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,612 million and 1,609 million	806	804
Additional paid-in capital	12,576	12,502
Retained earnings	1,876	1,940
Treasury stock, at cost; Shares held: 63 million and 61 million	(1,202)	(1,160)
Accumulated other comprehensive loss	(1,409)	(643)
Total Corning Incorporated shareholders' equity	<u>12,647</u>	<u>13,443</u>
Noncontrolling interest	48	48
Total equity	<u>12,695</u>	<u>13,491</u>
Total Liabilities and Equity	<u>\$ 18,178</u>	<u>\$ 19,256</u>

See accompanying notes to these financial statements.

Certain amounts for 2008 were reclassified to conform to the 2009 presentation.

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

	Three months ended	
	March 31,	
	2009	2008
Cash Flows from Operating Activities:		
Net income attributable to Corning Incorporated	\$ 14	\$ 1,029
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	175	157
Amortization of purchased intangibles	3	2
Asbestos litigation	4	(327)
Restructuring charges (credits)	165	(1)
Stock compensation charges	35	41
Undistributed earnings of affiliated companies	208	(161)
Deferred tax benefit	(119)	(2)
Restructuring payments	(12)	(7)
Customer deposits, net of (credits) issued	(103)	(66)
Employee benefit payments less than (in excess of) expense	17	(48)
Changes in certain working capital items:		
Trade accounts receivable	(111)	(50)
Inventories	39	(32)
Other current assets	(23)	(21)
Accounts payable and other current liabilities, net of restructuring payments	(89)	(224)
Other, net	61	5
Net cash provided by operating activities	264	295
Cash Flows from Investing Activities:		
Capital expenditures	(276)	(467)
Net proceeds from sale or disposal of assets	12	
Short-term investments – acquisitions	(104)	(724)
Short-term investments – liquidations	242	816
Net cash used in investing activities	(126)	(375)
Cash Flows from Financing Activities:		
Net repayments of short-term borrowings and current portion of long-term debt	(63)	(9)
Principal payments under capital lease obligations	(9)	
Proceeds from issuance of common stock, net	5	4
Proceeds from the exercise of stock options	1	18
Repurchases of common stock		(62)
Dividends paid	(78)	(78)
Other, net	1	(2)
Net cash used in financing activities	(143)	(129)
Effect of exchange rates on cash	(88)	117
Net decrease in cash and cash equivalents	(93)	(92)
Cash and cash equivalents at beginning of period	1,873	2,216
Cash and cash equivalents at end of period	\$ 1,780	\$ 2,124

Certain amounts for 2008 were reclassified to conform with the 2009 presentation.

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

Our reportable operating segments include Display Technologies, Telecommunications, Environmental Technologies, Specialty Materials and Life Sciences.

	Display Technologies	Telecom- munications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Three months ended March 31, 2009							
Net sales	\$ 357	\$ 385	\$ 110	\$ 60	\$ 76	\$ 1	\$ 989
Depreciation (1)	\$ 104	\$ 31	\$ 24	\$ 10	\$ 4	\$ 3	\$ 176
Amortization of purchased intangibles		\$ 3					\$ 3
Research, development and engineering expenses (2)	\$ 22	\$ 23	\$ 30	\$ 11	\$ 3	\$ 36	\$ 125
Restructuring, impairment and other charges	\$ 34	\$ 15	\$ 19	\$ 18	\$ 7	\$ 4	\$ 97
Equity in earnings (loss) of affiliated companies	\$ 180	\$ (4)	\$ 2			\$ 12	\$ 190
Income tax (provision) benefit (3)	\$ (7)	\$ 1	\$ 14	\$ 10		\$ 7	\$ 25
Net income (loss) (4)	<u>\$ 218</u>	<u>\$ (1)</u>	<u>\$ (44)</u>	<u>\$ (27)</u>	<u>\$ 8</u>	<u>\$ (29)</u>	<u>\$ 125</u>
Three months ended March 31, 2008							
Net sales	\$ 829	\$ 421	\$ 197	\$ 83	\$ 81	\$ 6	\$ 1,617
Depreciation (1)	\$ 90	\$ 27	\$ 24	\$ 8	\$ 4	\$ 3	\$ 156
Amortization of purchased intangibles		\$ 2					\$ 2
Research, development and engineering expenses (2)	\$ 24	\$ 24	\$ 33	\$ 9	\$ 2	\$ 36	\$ 128
Restructuring, impairment and other credits		\$ (1)					\$ (1)
Equity in earnings of affiliated companies	\$ 207		\$ 1			\$ 22	\$ 230
Income tax provision	\$ (61)	\$ (5)	\$ (5)		\$ (5)	\$ (2)	\$ (78)
Net income (loss) (4)	<u>\$ 679</u>	<u>\$ 11</u>	<u>\$ 13</u>	<u>\$ (4)</u>	<u>\$ 10</u>	<u>\$ (27)</u>	<u>\$ 682</u>

- (1) Depreciation expense for Corning's reportable segments includes an allocation of depreciation of corporate property not specifically identifiable to a segment.
- (2) Research, development, and engineering expense includes direct project spending which is identifiable to a segment.
- (3) Effective January 1, 2009, we began providing U.S. income tax expense (or benefit) on U.S. earnings (losses) due to the change in our conclusion about the realizability of our U.S. deferred tax assets in 2008. As a result of the change in our tax position, we adjusted the allocation of taxes to our operating segments in 2009 to reflect this difference.
- (4) Many of Corning's administrative and staff functions are performed on a centralized basis. Where practicable, Corning charges these expenses to segments based upon the extent to which each business uses a centralized function. Other staff functions, such as corporate finance, human resources and legal are allocated to segments, primarily as a percentage of sales.

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

A reconciliation of reportable segment net income to consolidated net income follows (in millions):

	Three months ended March 31,	
	2009	2008
Net income of reportable segments	\$ 154	\$ 709
Non-reportable segments	(29)	(27)
Unallocated amounts:		
Net financing costs (1)	(20)	9
Stock-based compensation expense	(35)	(41)
Exploratory research	(20)	(18)
Corporate contributions	(9)	(11)
Equity in earnings of affiliated companies (2)	5	82
Asbestos litigation (3)	(4)	327
Other corporate items (4)	(28)	(1)
Net income	\$ 14	\$ 1,029

- (1) Net financing costs include interest income, interest expense, and interest costs and investment gains associated with benefit plans.
- (2) Represents the equity of Dow Corning Corporation. In the first quarter of 2009, equity earnings of affiliated companies, net of impairments includes a charge of \$29 million representing restructuring charges at Dow Corning Corporation.
- (3) In the first quarter of 2008, Corning reduced its liability for asbestos litigation as a result of the increase in the likelihood of a settlement under recently proposed terms and a corresponding decrease in the likelihood of a settlement under terms established in 2003.
- (4) In the first quarter of 2009, other corporate items included \$68 million (\$44 million after-tax) of restructuring charges.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Restructuring

In the first quarter of 2009, Corning recorded a charge of \$165 million (\$107 million after-tax), which was comprised primarily of severance costs, special termination benefits and outplacement services for a corporate-wide restructuring plan.

2. Asbestos Litigation

On March 28, 2003, Corning announced that it had reached agreement with the representatives of asbestos claimants for the settlement of all current and future asbestos claims against Corning and Pittsburgh Corning Corporation (PCC) which might arise from PCC products or operations (the 2003 Plan). On December 21, 2006, the Bankruptcy Court issued an order denying confirmation of the 2003 Plan. On January 10, 2008, some of the parties in the proceeding advised the Bankruptcy Court that they had made substantial progress on an amended plan of reorganization (the Amended PCC Plan) that resolved issues raised by the Court in denying the confirmation of the 2003 Plan.

As a result of progress in the parties' continuing negotiations, Corning believes the Amended PCC Plan now represents the most probable outcome of this matter and the probability that the 2003 plan will become effective has diminished. The proposed settlement under the Amended PCC Plan requires Corning to contribute its equity interest in PCC and Pittsburgh Corning Europe, N.V. (PCE) and to contribute a fixed series of cash payments, recorded at present value on December 31, 2008. Corning will have the option to contribute shares rather than cash, but the liability is fixed by dollar value and not number of shares. As a result, the estimated asbestos litigation liability is no longer impacted by movements in the value of Corning common stock. The Amended PCC Plan does not include non-PCC asbestos claims that may be or have been raised against Corning. Corning has recorded an additional amount for such claims in its estimated asbestos litigation liability.

In the first quarter of 2009, we recorded charges of \$4 million (\$2 million after-tax) to adjust the asbestos litigation liability for the change in value of the components of the Amended PCC Plan.

3. Equity in Earnings of Affiliated Companies

In the first quarter of 2009, equity in earnings of affiliated companies included charges of \$29 million (\$27 million after-tax) for Corning's share of the restructuring charges at Dow Corning Corporation.

4. Weighted Average Shares Outstanding

Weighted average shares outstanding are as follows (in millions):

	Three months ended		Three months ended
	March 31,		
	2009	2008	December 31, 2008
Basic	1,548	1,566	1,546
Diluted	1,559	1,598	1,559
Diluted used for non-GAAP measures	1,559	1,598	1,559

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

	<u>2009</u>	<u>2008</u>				
	<u>Q1</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Display Technologies	\$ 357	\$ 829	\$ 809	\$ 696	\$ 390	\$ 2,724
Telecommunications						
Fiber and cable	192	214	248	258	200	920
Hardware and equipment	193	207	229	238	205	879
	<u>385</u>	<u>421</u>	<u>477</u>	<u>496</u>	<u>405</u>	<u>1,799</u>
Environmental Technologies						
Automotive	64	137	132	112	77	458
Diesel	46	60	77	65	51	253
	<u>110</u>	<u>197</u>	<u>209</u>	<u>177</u>	<u>128</u>	<u>711</u>
Specialty Materials	60	83	104	101	84	372
Life Sciences	76	81	87	83	75	326
Other	<u>1</u>	<u>6</u>	<u>6</u>	<u>2</u>	<u>2</u>	<u>16</u>
Total	<u>\$ 989</u>	<u>\$ 1,617</u>	<u>\$ 1,692</u>	<u>\$ 1,555</u>	<u>\$ 1,084</u>	<u>\$ 5,948</u>

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL
MEASURE

Three Months Ended March 31, 2009

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

Corning's net income and earnings per share (EPS) excluding special items for the first quarter of 2009 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Income (Loss) Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	\$ 0.10	\$ 146	\$ 150
<i>Special items:</i>			
Restructuring charges (a)	(0.07)	(165)	(107)
Asbestos litigation (b)		(4)	(2)
Equity in earnings of affiliated companies (c)	(0.02)	(29)	(27)
Total EPS and net income	\$ 0.01	\$ (52)	\$ 14

- (a) In the first quarter of 2009, Corning recorded a charge of \$165 million (\$107 million after-tax), which was comprised primarily of severance costs, special termination benefits and outplacement services for a corporate-wide restructuring plan.
- (b) In the first quarter of 2009, Corning recorded a charge of \$4 million (\$2 million after-tax) to adjust the asbestos liability for change in value of the components of the Amended PCC Plan.
- (c) In the first quarter of 2009, equity in earnings of affiliated companies included a charge of \$29 million (\$27 million after-tax) for our share of the restructuring charges at Dow Corning Corporation.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL
MEASURE

Three Months Ended March 31, 2008

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

Corning's net income and earnings per share (EPS) excluding special items for the first quarter of 2008 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Income Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	\$ 0.44	\$ 463	\$ 702
<i>Special items:</i>			
Asbestos litigation (a)	0.20	327	327
Total EPS and net income	\$ 0.64	\$ 790	\$ 1,029

- (a) In the first quarter of 2008, Corning recorded a credit of \$327 million (before- and after-tax) to adjust the asbestos liability from \$1 billion to \$675 million, including the components of the Amended PCC Plan and the estimated liability for non-PCC asbestos claims.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL
MEASURE

Three Months Ended December 31, 2008

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

Corning's net income and earnings per share (EPS) excluding special items for the fourth quarter of 2008 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Loss Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	\$ 0.13	\$ (51)	\$ 208
<i>Special items:</i>			
Asbestos litigation (a)	0.02	28	28
Restructuring, impairment, and other charges (b)	(0.01)	(22)	(21)
Available-for-sale securities (c)	(0.01)	(11)	(11)
Valuation allowance release (d)	0.03		45
Total EPS and net income	\$ 0.16	\$ (56)	\$ 249

- (a) In the fourth quarter of 2008, Corning recorded a credit of \$28 million (before- and after-tax) to adjust the asbestos liability for the change in value of certain components of the Amended PCC Plan and the estimated liability for non-PCC asbestos claims.
- (b) In the fourth quarter of 2008, Corning recorded a charge of \$22 million (\$21 million after-tax) comprised primarily of severance costs for a restructuring plan in the Telecommunications segment.
- (c) In the fourth quarter of 2008, Corning recorded a loss of \$11 million (before- and after-tax) on certain available-for-sale securities included in cash and short-term investments.
- (d) In the fourth quarter of 2008, Corning recorded a deferred tax asset valuation allowance release of \$45 million resulting from a change in our estimate of current-year U.S. taxable income.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL
MEASURE

Three Months Ended March 31, 2009 and December 31, 2008

(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months ended March 31, 2009 and December 31, 2008 are non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP financial measures are helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measures.

	Three months ended March 31, 2009	Three months ended December 31, 2008
Cash flows from operating activities	\$ 264	\$ 380
Less: Cash flows from investing activities	(126)	(1,138)
Plus: Short-term investments – acquisitions	104	567
Less: Short-term investments – liquidations	(242)	(193)
Free cash flow	\$ --	\$ (384)