

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited; in millions, except per share amounts)

	Three months ended December 31,		Year ended December 31,	
	2008	2007	2008	2007
Net sales	\$ 1,084	\$ 1,582	\$ 5,948	\$ 5,860
Cost of sales	<u>777</u>	<u>825</u>	<u>3,210</u>	<u>3,111</u>
Gross margin	307	757	2,738	2,749
Operating expenses:				
Selling, general and administrative expenses	179	257	901	912
Research, development and engineering expenses	153	153	627	565
Amortization of purchased intangibles	4	3	11	10
Restructuring, impairment and other charges (credits) (Note 1)	22	(2)	19	(4)
Asbestos settlement (credits) charges (Note 2)	<u>(28)</u>	<u>15</u>	<u>(340)</u>	<u>185</u>
Operating (loss) income	(23)	331	1,520	1,081
Interest income	11	35	85	145
Interest expense	(11)	(20)	(59)	(82)
Other (expense) income, net (Note 3)	<u>(33)</u>	<u>44</u>	<u>(23)</u>	<u>147</u>
(Loss) income before income taxes	(56)	390	1,523	1,291
Benefit (provision) for income taxes (Note 4)	<u>23</u>	<u>61</u>	<u>2,405</u>	<u>(80)</u>
Income before minority interest and equity earnings	(33)	451	3,928	1,211
Minority interests		(1)	1	(3)
Equity in earnings of affiliated companies, net of impairments	<u>282</u>	<u>267</u>	<u>1,328</u>	<u>942</u>
Net income	<u>\$ 249</u>	<u>\$ 717</u>	<u>\$ 5,257</u>	<u>\$ 2,150</u>
Basic earnings per common share (Note 5)	<u>\$ 0.16</u>	<u>\$ 0.46</u>	<u>\$ 3.37</u>	<u>\$ 1.37</u>
Diluted earnings per common share (Note 5)	<u>\$ 0.16</u>	<u>\$ 0.45</u>	<u>\$ 3.32</u>	<u>\$ 1.34</u>
Dividends declared per common share	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.20</u>	<u>\$ 0.10</u>

See accompanying notes to these financial statements.

Certain amounts for 2007 were reclassified to conform to 2008 classifications.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	December 31,	
	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,873	\$ 2,216
Short-term investments, at fair value	943	1,300
Total cash, cash equivalents and short-term investments	2,816	3,516
Trade accounts receivable, net of doubtful accounts and allowances	512	856
Inventories	798	631
Deferred income taxes	158	54
Other current assets	335	237
Total current assets	4,619	5,294
Investments	3,056	3,036
Property, net of accumulated depreciation	8,199	5,986
Goodwill and other intangible assets, net	305	308
Deferred income taxes	2,932	202
Other assets	145	389
Total Assets	\$ 19,256	\$ 15,215
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 78	\$ 23
Accounts payable	846	609
Other accrued liabilities	1,128	1,880
Total current liabilities	2,052	2,512
Long-term debt	1,527	1,514
Postretirement benefits other than pensions	784	744
Other liabilities	1,402	903
Total liabilities	5,765	5,673
Commitments and contingencies		
Minority interests	48	46
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,609 million and 1,598 million	804	799
Additional paid-in capital	12,502	12,281
Retained earnings (accumulated deficit)	1,940	(3,002)
Treasury stock, at cost; Shares held: 61 million and 30 million	(1,160)	(492)
Accumulated other comprehensive loss	(643)	(90)
Total shareholders' equity	13,443	9,496
Total Liabilities and Shareholders' Equity	\$ 19,256	\$ 15,215

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three months ended December 31,		Year ended December 31,	
	2008	2007	2008	2007
Cash Flows from Operating Activities:				
Net income	\$ 249	\$ 717	\$ 5,257	\$ 2,150
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	201	151	684	597
Amortization of purchased intangibles	4	3	11	10
Asbestos settlement	(28)	15	(340)	185
Restructuring, impairment and other charges (credits)	22	(2)	19	(4)
Restructuring payments	(7)	(9)	(17)	(39)
Loss on repurchases and retirement of debt				15
Stock compensation charges	14	38	118	138
Loss (gain) on sale of business			14	(19)
Undistributed earnings of affiliated companies	(206)	(125)	(782)	(452)
Deferred tax benefit	(62)	(116)	(2,594)	(98)
Customer deposits, net of (credits) issued	(65)	(62)	(266)	(126)
Employee benefit payments in excess of expense	(16)	(29)	(47)	(111)
Changes in certain working capital items:				
Trade accounts receivable	360	29	410	(128)
Inventories	(7)	42	(136)	5
Other current assets	(5)	(6)	(76)	(27)
Accounts payable and other current liabilities, net of restructuring payments	(101)	134	(231)	10
Other, net	27	(48)	104	(29)
Net cash provided by operating activities	<u>380</u>	<u>732</u>	<u>2,128</u>	<u>2,077</u>
Cash Flows from Investing Activities:				
Capital expenditures	(766)	(391)	(1,921)	(1,262)
Acquisitions of businesses, net of cash received			(15)	(4)
Net proceeds (payments) from sale or disposal of assets	2	5	19	(5)
Short-term investments – acquisitions	(567)	(570)	(1,865)	(2,152)
Short-term investments – liquidations	193	721	2,083	2,862
Net cash used in investing activities	<u>(1,138)</u>	<u>(235)</u>	<u>(1,699)</u>	<u>(561)</u>
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(4)	(2)	(24)	(20)
Retirements of long-term debt				(238)
Proceeds from unwind of interest rate swap arrangements	65		65	
Proceeds from issuance of common stock, net	4	4	23	21
Proceeds from the exercise of stock options	1	20	80	109
Repurchases of common stock		(125)	(625)	(250)
Dividends paid	(78)	(79)	(313)	(158)
Other, net	(4)	(1)	(4)	(3)
Net cash used in financing activities	<u>(16)</u>	<u>(183)</u>	<u>(798)</u>	<u>(539)</u>
Effect of exchange rates on cash	51	24	26	82
Net (decrease) increase in cash and cash equivalents	(723)	338	(343)	1,059
Cash and cash equivalents at beginning of period	2,596	1,878	2,216	1,157
Cash and cash equivalents at end of period	<u>\$ 1,873</u>	<u>\$ 2,216</u>	<u>\$ 1,873</u>	<u>\$ 2,216</u>

Certain amounts for prior periods were reclassified to conform to 2008 classifications.

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							
December 31, 2008							
Net sales	\$ 390	\$ 405	\$ 128	\$ 84	\$ 75	\$ 2	\$ 1,084
Depreciation (1)	\$ 130	\$ 29	\$ 23	\$ 12	\$ 3	\$ 3	\$ 200
Amortization of purchased intangibles		\$ 4					\$ 4
Research, development and engineering expenses (2)	\$ 26	\$ 20	\$ 31	\$ 12	\$ 2	\$ 42	\$ 133
Restructuring, impairment and other charges (before-tax)		\$ 20		\$ 2			\$ 22
Income tax (provision) benefit	\$ (30)	\$ 2	\$ 1		\$ 1	\$ 3	\$ (23)
Earnings (loss) before equity earnings (3)	\$ 28	\$ (14)	\$ (24)	\$ (6)	\$ 16	\$ (49)	\$ (49)
Equity in earnings (loss) of affiliated companies	\$ 194		\$ 1			\$ (1)	\$ 194
Net income (loss)	\$ 222	\$ (14)	\$ (23)	\$ (6)	\$ 16	\$ (50)	\$ 145
Three months ended							
December 31, 2007							
Net sales	\$ 774	\$ 430	\$ 189	\$ 105	\$ 73	\$ 11	\$ 1,582
Depreciation (1)	\$ 85	\$ 29	\$ 23	\$ 8	\$ 4	\$ 2	\$ 151
Amortization of purchased intangibles		\$ 3					\$ 3
Research, development and engineering expenses (2)	\$ 30	\$ 22	\$ 32	\$ 9	\$ 2	\$ 37	\$ 132
Restructuring, impairment and other credits (before-tax)		\$ (2)					\$ (2)
Income tax (provision) benefit	\$ (46)					\$ 2	\$ (44)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 411	\$ 11	\$ 22	\$ 2	\$ 13	\$ (45)	\$ 414
Minority interest Equity in earnings (loss) of affiliated companies	\$ 177	\$ 1	\$ 1			\$ (4)	\$ 175
Net income (loss)	\$ 588	\$ 12	\$ 23	\$ 2	\$ 13	\$ (50)	\$ 588

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

	Display Technologies	Telecom- munications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Year ended December 31, 2008							
Net sales	\$ 2,724	\$ 1,799	\$ 711	\$ 372	\$ 326	\$ 16	\$ 5,948
Depreciation (1)	\$ 407	\$ 117	\$ 95	\$ 36	\$ 14	\$ 12	\$ 681
Amortization of purchased intangibles		\$ 11					\$ 11
Research, development and engineering expenses (2)	\$ 109	\$ 93	\$ 125	\$ 45	\$ 8	\$ 163	\$ 543
Restructuring, impairment and other charges (before-tax)		\$ 17		\$ 2			\$ 19
Income tax (provision) benefit	\$ (189)	\$ (14)	\$ (11)		\$ (9)	\$ 11	\$ (212)
Earnings (loss) before minority interest and equity earnings (3)	\$ 1,321	\$ 44	\$ 29	\$ (7)	\$ 53	\$ (210)	\$ 1,230
Minority interest		\$ 1					\$ 1
Equity in earnings of affiliated companies	\$ 900		\$ 4			\$ 42	\$ 946
Net income (loss)	\$ 2,221	\$ 45	\$ 33	\$ (7)	\$ 53	\$ (168)	\$ 2,177
Year ended December 31, 2007							
Net sales	\$ 2,613	\$ 1,779	\$ 757	\$ 379	\$ 305	\$ 27	\$ 5,860
Depreciation (1)	\$ 325	\$ 123	\$ 89	\$ 32	\$ 15	\$ 7	\$ 591
Amortization of purchased intangibles		\$ 10					\$ 10
Research, development and engineering expenses (2)	\$ 102	\$ 82	\$ 125	\$ 41	\$ 8	\$ 121	\$ 479
Restructuring, impairment and other credits (before-tax)		\$ (4)					\$ (4)
Income tax (provision) benefit	\$ (138)	\$ (35)	\$ (15)		\$ (13)	\$ 8	\$ (193)
Earnings (loss) before minority interest and equity earnings (3)	\$ 1,433	\$ 115	\$ 59	\$ (3)	\$ 44	\$ (150)	\$ 1,498
Minority interest		\$ (1)				\$ (2)	\$ (3)
Equity in earnings (loss) of affiliated companies	\$ 582	\$ 4	\$ 2			\$ (9)	\$ 579
Net income (loss)	\$ 2,015	\$ 118	\$ 61	\$ (3)	\$ 44	\$ (161)	\$ 2,074

- (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 expenses includes direct project spending which is identifiable to a segment.
- (3) In the three months and year ended December 31, 2008, restructuring, impairment and other charges and (credits) includes a charge of \$22 million comprised primarily of severance costs for a restructuring plan in the Telecommunications segment.
- (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. In the year ended December 31, 2008, earnings (loss) before minority interest and equity earnings (loss) included a \$12 million litigation settlement in the Display Technologies segment and a \$14 million loss on the sale of a business in the All Other segment.
- (5) In the three months and year ended December 31, 2007, equity in earnings (loss) of affiliated companies, net of impairments includes net charges of \$14 million and \$40 million, respectively, related to impairments and other charges and credits for Samsung Corning and is included in the All Other segment.

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		Year ended	
	December 31,		December 31,	
	2008	2007	2008	2007
				2,235
Net income of reportable segments	\$ 195	\$ 638	\$ 2,345	\$
Non-reportable segments	(50)	(50)	(168)	(161)
Unallocated amounts:				
Net financing costs (1)	(2)	8	15	36
Stock-based compensation expense	(14)	(38)	(118)	(138)
Exploratory research	(17)	(16)	(69)	(67)
Corporate contributions	(9)	(6)	(35)	(32)
Equity in earnings of affiliated companies, net of impairments (2)	88	92	382	363
Asbestos settlement (3)	28	(15)	340	(185)
Other corporate items (4)	30	104	2,565	99
				2,150
Net income	\$ 249	\$ 717	\$ 5,257	\$

(1) Net financing costs include interest expense, interest income, and interest costs and investment gains associated with benefit plans.

(2) Equity in earnings of affiliated companies, net of impairments in the year ended December 31, 2008, includes an \$18 million charge representing our share of an other-than-temporary impairment of auction rate securities.

(3) In the three months and year ended December 31, 2008, Corning recorded a net credit of \$28 million and \$340 million, respectively, to adjust the asbestos liability for the change in value of certain components of the Amended PCC Plan and the established liability for non-PCC asbestos claims. In the three months and year ended December 31, 2007, Corning recorded asbestos settlement expense under the terms of the 2003 Plan of \$15 million and \$185 million, respectively, to adjust the estimated fair value of the components of the proposed asbestos settlement at that time.

(4) Other corporate items include the tax impact of the unallocated amounts and the following significant items:

- In the year ended December 31, 2008, Corning released \$2.45 billion of valuation allowance resulting from a change in judgment about the realizability of U.S. deferred tax assets in future years.
- In the year ended December 31, 2008, Corning recorded a \$43 million gain related to a favorable tax settlement with the Canadian Revenue Agency.
- In the three months and year ended December 31, 2008, Corning released \$45 million and \$115 million, respectively, of valuation allowance on our U.S. deferred tax assets as a result of a change in our estimate regarding current-year U.S. taxable income.
- In the three months and year ended December 31, 2008, Corning recorded losses of \$12 million and \$53 million, respectively, on certain available-for-sale securities included in cash and short-term investments.
- In the year ended December 31, 2007, Corning recorded a loss of \$15 million from the repurchase of \$223 million principal amount of our 6.25% Euro notes due 2010.
- In the three months and year ended December 31, 2007, Corning released \$103 million of valuation allowance on certain deferred tax assets in Germany as a result of a change in estimated taxable income.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Restructuring

In the fourth quarter of 2008, Corning recorded a charge of \$22 million pretax and \$21 million after-tax, which was comprised primarily of severance costs for a restructuring plan in the Telecommunications segment.

2. Asbestos Settlement

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 settlement 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 settlement liability.

In the first quarter of 2008, we recorded a \$327 million reduction to our estimated liability for asbestos litigation as a result of the increase in the likelihood of a settlement under the Amended PCC Plan and a corresponding decrease in the likelihood of a settlement under terms of the 2003 Plan. In the second, third and fourth quarters of 2008, we recorded pretax and after-tax charges of \$9 million, \$6 million and a credit of \$28 million, respectively to adjust the asbestos settlement liability for the change in value of the components of the Amended PCC Plan.

3. Cash and Short-Term Investments

In the fourth quarter of 2008, Corning recorded a pretax and after-tax loss of \$11 million on certain available-for-sale securities that were included in cash and short-term investments.

4. Provision for Income Taxes

In the fourth quarter of 2008, Corning released an additional \$45 million of valuation allowances on our U.S. deferred tax assets as a result of a change in our estimate of current-year U.S. taxable income.

5. Weighted Average Shares Outstanding

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Basic	1,546	1,567	1,560	1,566
Diluted	1,559	1,602	1,584	1,603
Diluted used for non-GAAP measures	1,559	1,602	1,584	1,603

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
QUARTERLY SALES INFORMATION

(Unaudited; in millions)

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

	2007				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Display Technologies	\$ 524	\$ 610	\$ 705	\$ 774	\$ 2,613
Telecommunications					
Fiber and cable	211	219	237	213	880
Hardware and equipment	<u>228</u>	<u>219</u>	<u>235</u>	<u>217</u>	<u>899</u>
	439	438	472	430	1,779
Environmental Technologies					
Automotive	123	128	126	131	508
Diesel	<u>56</u>	<u>63</u>	<u>72</u>	<u>58</u>	<u>249</u>
	179	191	198	189	757
Specialty Materials	84	95	95	105	379
Life Sciences	76	78	78	73	305
Other	<u>5</u>	<u>6</u>	<u>5</u>	<u>11</u>	<u>27</u>
Total	<u>\$ 1,307</u>	<u>\$ 1,418</u>	<u>\$ 1,553</u>	<u>\$ 1,582</u>	<u>\$ 5,860</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 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	Income (Loss) Before Income Taxes	Net Income (Loss)
Earnings per share (EPS) and net income, excluding special items	\$ 0.13	\$ (51)	\$ 208
<i>Special items:</i>			
Asbestos settlement (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 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 \$22 million pretax and \$21 million after-tax charge comprised primarily of severance costs for a restructuring plan in the Telecommunications segment.
- (c) In the fourth quarter of 2008, Corning recorded a pretax and after-tax loss of \$11 million 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 December 31, 2007

(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 2007 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.

	<u>Per Share</u>	<u>Income (Loss) Before Income Taxes</u>	<u>Net Income (Loss)</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.40	\$ 466	\$ 643
<i>Special items:</i>			
Asbestos settlement (a)	(0.01)	(15)	(15)
Provision for income taxes (b)	0.07		103
Equity in earnings of affiliated companies (c)	<u>(0.01)</u>	<u> </u>	<u>(14)</u>
Total EPS and net income	<u>\$ 0.45</u>	<u>\$ 451</u>	<u>\$ 717</u>

(a) In the fourth quarter, Corning recorded a charge of \$15 million (before- and after-tax) for the change in the estimated fair value of the components of the asbestos settlement liability under the terms of the 2003 plan.

(b) Amount reflects a \$103 million tax benefit from the release of our valuation allowance on certain deferred tax assets in Germany.

(c) Amount reflects Corning's share of the following items associated with Samsung Corning: an impairment charge for certain long-lived assets; dividend withholding tax; and a gain on metal and scrap sales. These items decreased Corning's equity earnings by \$14 million (net) in the fourth quarter of 2007.

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

Three Months Ended September 30, 2008

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

Corning's net income and earnings per share (EPS) excluding special items for the third 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	\$ 0.46	\$ 385	\$ 732
<i>Special items:</i>			
Asbestos settlement (a)	–	(6)	(6)
Available-for-sale securities (b)	(0.02)	(39)	(39)
Loss on sale of business (c)	(0.01)	(14)	(14)
Valuation allowance release (d)	0.04	–	70
Tax revenue settlement (e)	0.03	–	43
Equity in earnings of associated companies (f)	(0.01)	–	(18)
Total EPS and net income	\$ 0.49	\$ 326	\$ 768

- (a) In the third quarter of 2008, Corning recorded a charge of \$6 million 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 third quarter of 2008, Corning recorded net losses of \$39 million on certain available-for-sale securities included in cash and short-term investments.
- (c) In the third quarter of 2008, Corning incurred a \$14 million loss on the sale of a business.
- (d) In the third quarter of 2008, Corning recorded a valuation allowance release of \$70 million resulting from a change in our estimate of current-year U.S. taxable income.
- (e) In the third quarter of 2008, Corning recorded a \$43 million gain related to a favorable tax settlement with the Canadian Revenue Agency.
- (f) In the third quarter of 2008, equity earnings of associated companies included an \$18 million charge for our share of an other-than-temporary impairment of auction rate securities at Dow Corning Corporation.

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

Year 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 year ended December 31, 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 (Loss) Before Income Taxes	Net Income (Loss)
Earnings per share (EPS) and net income, excluding special items	\$ 1.53	\$ 1,281	\$ 2,424
<i>Special items:</i>			
Asbestos settlement (a)	0.21	340	340
Restructuring, impairment and other charges (b)	(0.01)	(22)	(21)
Litigation settlement (c)	(0.01)	(12)	(12)
Loss on sale of business, net (d)	(0.01)	(14)	(14)
Available-for-sale securities (e)	(0.03)	(50)	(50)
Valuation allowance release (f)	1.62		2,565
Tax revenue settlement (g)	0.03		43
Equity in earnings of affiliated companies (h)	(0.01)		(18)
Total EPS and net income	\$ 3.32	\$ 1,523	\$ 5,257

- (a) In 2008, Corning recorded a \$327 million reduction to the asbestos liability as a result of the increase in the likelihood of a settlement under the Amended PCC Plan and a corresponding decrease in the likelihood of a settlement under terms of the 2003 plan. Also, Corning recorded a net credit of \$13 million 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 2008, Corning recorded a \$22 million pretax and \$21 million after-tax charge comprised primarily of severance costs for a restructuring plan in the Telecommunications segment.
- (c) In 2008, Corning recorded a charge of \$12 million to settle litigation associated with our Display segment.
- (d) In 2008, Corning incurred a \$14 million loss on the sale of a business.
- (e) In 2008, Corning recorded net losses of \$50 million on certain available-for-sale securities included in cash and short-term investments.
- (f) In 2008, Corning recorded a valuation allowance release of \$2.45 billion resulting from a change in judgment about the realizability of U.S. deferred tax assets in future years. Also in 2008, Corning released \$115 million of valuation allowances resulting from a change in estimate regarding current-year U.S. taxable income.
- (g) In 2008, Corning recorded a \$43 million gain related to a favorable tax settlement with the Canadian Revenue Agency.

- (h) In 2008, equity in earnings of affiliated companies includes an \$18 million charge for Corning's share of an other-than-temporary impairment of auction rate securities at Dow Corning Corporation.

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

Year Ended December 31, 2007

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

Corning's net income and earnings per share (EPS) excluding special items for the year ended December 31, 2007 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 (Loss)
Earnings per share (EPS) and net income, excluding special items	\$ 1.41	\$ 1,392	\$ 2,260
<i>Special items:</i>			
Asbestos settlement (a)	(0.12)	(185)	(185)
Loss on repurchases of debt, net (b)	(0.01)	(15)	(15)
Gain on sale of business, net (c)	0.01	19	19
Provision for income taxes (d)	0.07		103
Equity in earnings of affiliated companies (e)	(0.02)		(32)
Total EPS and net income	\$ 1.34	\$ 1,211	\$ 2,150

- (a) In 2007, Corning recorded a charge of \$185 million (before- and after-tax) for the change in the estimated fair value of the components of the asbestos settlement liability under the terms of the 2003 plan.
- (b) Amount reflects a \$15 million loss on the repurchase of \$223 million principal amount of our 6.25% Euro notes due 2010.
- (c) Amount reflects a \$19 million gain on the sale of the European submarine cabling business.
- (d) Amount reflects a \$103 million tax benefit from the release of our valuation allowance on certain deferred tax assets in Germany.
- (e) In 2007, equity in earnings of affiliated companies includes a \$32 million charge (net of tax) for Corning's share of restructuring, impairment and other charges at Samsung Corning Co. Ltd. (Samsung Corning).

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

Three Months and Year Ended December 31, 2008

(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months and year ended December 31, 2008 is a 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 measure.

	Three months ended December 31, 2008	Year ended December 31, 2008
Cash flows from operating activities	\$ 380	\$ 2,128
Less: Cash flows from investing activities	(1,138)	(1,699)
Plus: Short-term investments – acquisitions	567	1,865
Less: Short-term investments – liquidations	(193)	(2,083)
Free cash flow	\$ (384)	\$ 211

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 earnings per share (EPS) excluding special items for the first quarter of 2009 is a 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 EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measure.

	Range			
	\$	*	\$	*
Guidance: EPS excluding special items				
Special items (a)				
Restructuring charges (b)				
Earnings per share				

This schedule will be updated as additional announcements occur.

* James B. Flaws, vice chairman and chief financial officer said, "We expect earnings per share, before special items, to be about breakeven in the first quarter."

(a) From time to time, Corning may record special items which could result in a gain or loss during the quarter.

(b) Planned corporate-wide restructuring actions will result in first quarter charges in the range of \$115 million to \$165 million pretax. Certain of Corning's equity companies are also evaluating restructuring actions in the first quarter.

Please note that the company may pursue other financing, restructuring and divestiture activities at any time in the future, and that the potential impact of these events is not included within Corning's first quarter 2009 guidance.

This schedule contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements are based on current expectations and involve certain risks and uncertainties. Actual results may differ from those projected in the forward looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in the Securities and Exchange Commission filings of this Company.