

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net sales	\$ 1,395	\$ 1,692	\$ 2,384	\$ 3,309
Cost of sales	820	840	1,539	1,613
Gross margin	575	852	845	1,696
Operating expenses:				
Selling, general and administrative expenses	211	260	418	502
Research, development and engineering expenses	136	163	287	314
Amortization of purchased intangibles	2	3	5	5
Restructuring, impairment and other charges and (credits)			165	(1)
Asbestos litigation charge (credit) (Note 1)	5	9	9	(318)
Operating income (loss)	221	417	(39)	1,194
Equity in earnings of affiliated companies	361	367	556	679
Interest income	5	22	12	52
Interest expense	(20)	(15)	(34)	(33)
Other-than-temporary impairment (OTTI) losses:				
Total OTTI losses	(14)		(14)	
Portion of OTTI losses recognized in other comprehensive income (before taxes)	13		13	
Net OTTI losses recognized in earnings	(1)		(1)	
Other income, net	41	39	61	41
Income before income taxes	607	830	555	1,933
Benefit for income taxes	4	2,381	70	2,307
Net income attributable to Corning Incorporated	\$ 611	\$ 3,211	\$ 625	\$ 4,240
Earnings per common share attributable to Corning Incorporated:				
Basic (Note 2)	\$ 0.39	\$ 2.05	\$ 0.40	\$ 2.71
Diluted (Note 2)	\$ 0.39	\$ 2.01	\$ 0.40	\$ 2.65
Dividends declared per common share	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10

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>June 30, 2009</u>	<u>December 31, 2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,234	\$ 1,873
Short-term investments, at fair value	841	943
Total cash, cash equivalents and short-term investments	3,075	2,816
Trade accounts receivable, net of doubtful accounts and allowances	790	512
Inventories	647	798
Deferred income taxes	128	158
Other current assets	388	335
Total current assets	5,028	4,619
Investments	3,168	3,056
Property, net of accumulated depreciation	7,885	8,199
Goodwill and other intangible assets, net	299	305
Deferred income taxes	3,080	2,932
Other assets	144	145
Total Assets	\$ 19,604	\$ 19,256
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 80	\$ 78
Accounts payable	502	846
Other accrued liabilities	949	1,128
Total current liabilities	1,531	2,052
Long-term debt	1,938	1,527
Postretirement benefits other than pensions	766	784
Other liabilities	1,517	1,402
Total liabilities	5,752	5,765
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,613 million and 1,609 million	807	804
Additional paid-in capital	12,619	12,502
Retained earnings	2,409	1,940
Treasury stock, at cost; Shares held: 63 million and 61 million	(1,204)	(1,160)
Accumulated other comprehensive loss	(828)	(643)
Total Corning Incorporated shareholders' equity	13,803	13,443
Noncontrolling interests	49	48
Total equity	13,852	13,491
Total Liabilities and Equity	\$ 19,604	\$ 19,256

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 June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Cash Flows from Operating Activities:				
Net income	\$ 611	\$ 3,211	\$ 625	\$ 4,240
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	184	162	359	319
Amortization of purchased intangibles	2	3	5	5
Asbestos litigation	5	9	9	(318)
Restructuring, impairment and other charges (credits)			165	(1)
Stock compensation charges	32	37	67	78
Undistributed earnings of affiliated companies	(345)	(239)	(137)	(400)
Deferred tax benefit	(20)	(2,471)	(139)	(2,473)
Restructuring payments	(42)	(3)	(54)	(10)
Customer deposits, net of (credits) issued	(62)	(71)	(165)	(137)
Employee benefit payments less than (in excess of) expense	17	11	34	(37)
Changes in certain working capital items:				
Trade accounts receivable	(170)	4	(281)	(46)
Inventories	99	(41)	138	(73)
Other current assets	(19)	(31)	(42)	(52)
Accounts payable and other current liabilities, net of restructuring payments	68	135	(21)	(89)
Other, net	8	(26)	69	(21)
Net cash provided by operating activities	<u>368</u>	<u>690</u>	<u>632</u>	<u>985</u>
Cash Flows from Investing Activities:				
Capital expenditures	(215)	(397)	(491)	(864)
Net proceeds from sale or disposal of assets	3	2	15	2
Short-term investments – acquisitions	(301)	(470)	(405)	(1,194)
Short-term investments – liquidations	274	324	516	1,140
Net cash used in investing activities	<u>(239)</u>	<u>(541)</u>	<u>(365)</u>	<u>(916)</u>
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(3)	(3)	(66)	(12)
Proceeds from issuance of long-term debt, net	346		346	
Principal payments under capital lease obligations			(9)	
Proceeds from issuance of common stock, net	7	11	12	15
Proceeds from the exercise of stock options	3	56	4	74
Repurchase of common stock		(63)		(125)
Dividends paid	(78)	(80)	(156)	(158)
Other, net	2	2	3	
Net cash provided by (used in) financing activities	<u>277</u>	<u>(77)</u>	<u>134</u>	<u>(206)</u>
Effect of exchange rates on cash	48	(21)	(40)	96
Net increase (decrease) in cash and cash equivalents	454	51	361	(41)
Cash and cash equivalents at beginning of period	1,780	2,124	1,873	2,216
Cash and cash equivalents at end of period	<u>\$ 2,234</u>	<u>\$ 2,175</u>	<u>\$ 2,234</u>	<u>\$ 2,175</u>

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	Environ- mental Technologies	Specialty Materials	Life Sciences	All Other	Total
Three months ended							
June 30, 2009							
Net sales	\$ 673	\$ 437	\$ 132	\$ 71	\$ 81	\$ 1	\$ 1,395
Depreciation (1)	\$ 109	\$ 33	\$ 25	\$ 12	\$ 4	\$ 3	\$ 186
Amortization of purchased intangibles		\$ 2					\$ 2
Research, development and engineering expenses (2)	\$ 19	\$ 24	\$ 27	\$ 12	\$ 2	\$ 34	\$ 118
Equity in earnings of affiliated companies	\$ 284		\$ 2			\$ 16	\$ 302
Income tax (provision) benefit (3)	\$ (94)	\$ (14)	\$ 14	\$ 9	\$ (8)	\$ 18	\$ (75)
Net income (loss) (4)	<u>\$ 555</u>	<u>\$ 18</u>	<u>\$ (9)</u>	<u>\$ (10)</u>	<u>\$ 9</u>	<u>\$ (5)</u>	<u>\$ 558</u>
Three months ended							
June 30, 2008							
Net sales	\$ 809	\$ 477	\$ 209	\$ 104	\$ 87	\$ 6	\$ 1,692
Depreciation (1)	\$ 92	\$ 31	\$ 24	\$ 7	\$ 4	\$ 3	\$ 161
Amortization of purchased intangibles		\$ 3					\$ 3
Research, development and engineering expenses (2)	\$ 29	\$ 25	\$ 32	\$ 11	\$ 2	\$ 42	\$ 141
Equity in earnings of affiliated companies	\$ 247		\$ 1			\$ 19	\$ 267
Income tax provision	\$ (64)	\$ (2)	\$ (2)		\$ (1)	\$ (1)	\$ (70)
Net income (loss) (4)	<u>\$ 685</u>	<u>\$ 23</u>	<u>\$ 28</u>	<u>\$ 4</u>	<u>\$ 16</u>	<u>\$ (37)</u>	<u>\$ 719</u>
Six months ended							
June 30, 2009							
Net sales	\$ 1,030	\$ 822	\$ 242	\$ 131	\$ 157	\$ 2	\$ 2,384
Depreciation (1)	\$ 213	\$ 64	\$ 49	\$ 22	\$ 8	\$ 6	\$ 362
Amortization of purchased intangibles		\$ 5					\$ 5
Research, development and engineering expenses (2)	\$ 41	\$ 47	\$ 57	\$ 23	\$ 5	\$ 70	\$ 243
Restructuring, impairment and other charges	\$ 34	\$ 15	\$ 19	\$ 18	\$ 7	\$ 4	\$ 97
Equity in earnings (loss) of affiliated companies	\$ 464	\$ (4)	\$ 4			\$ 28	\$ 492
Income tax (provision) benefit (3)	\$ (101)	\$ (13)	\$ 28	\$ 19	\$ (8)	\$ 25	\$ (50)
Net income (loss) (4)	<u>\$ 773</u>	<u>\$ 17</u>	<u>\$ (53)</u>	<u>\$ (37)</u>	<u>\$ 17</u>	<u>\$ (34)</u>	<u>\$ 683</u>
Six months ended							
June 30, 2008							
Net sales	\$ 1,638	\$ 898	\$ 406	\$ 187	\$ 168	\$ 12	\$ 3,309
Depreciation (1)	\$ 182	\$ 58	\$ 48	\$ 15	\$ 8	\$ 6	\$ 317
Amortization of purchased intangibles		\$ 5					\$ 5
Research, development and engineering expenses (2)	\$ 53	\$ 49	\$ 65	\$ 20	\$ 4	\$ 78	\$ 269
Restructuring, impairment and other credits		\$ (1)					\$ (1)
Equity in earnings of affiliated companies	\$ 454		\$ 2			\$ 41	\$ 497
Income tax provision	\$ (125)	\$ (7)	\$ (7)		\$ (6)	\$ (3)	\$ (148)
Net income (loss) (4)	<u>\$ 1,364</u>	<u>\$ 34</u>	<u>\$ 41</u>	<u>\$ 0</u>	<u>\$ 26</u>	<u>\$ (64)</u>	<u>\$ 1,401</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. In the three and six months ended June 30, 2008, net income of the Display Technologies segment included a \$12 million litigation settlement charge.

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		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net income of reportable segments	\$ 563	\$ 756	\$ 717	\$ 1,465
Non-reportable segments	(5)	(37)	(34)	(64)
Unallocated amounts:				
Net financing costs (1)	(31)	4	(51)	13
Stock-based compensation expense	(32)	(37)	(67)	(78)
Exploratory research	(11)	(17)	(31)	(35)
Corporate contributions	(6)	(7)	(15)	(18)
Equity in earnings of affiliated companies, net of impairments (2)	59	100	64	182
Asbestos litigation (3)	(5)	(9)	(9)	318
Other corporate items (4)	79	2,458	51	2,457
Net income	\$ 611	\$ 3,211	\$ 625	\$ 4,240

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

(2) Includes the equity earnings of Dow Corning Corporation.

(3) In the three and six months ended June 30, 2009, Corning recorded charges of \$5 million and \$9 million, respectively, 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. In the three months ended June 30, 2008, Corning recorded a charge of \$9 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. In the first quarter of 2008, Corning reduced its liability for asbestos litigation by \$327 million 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 six months ended June 30, 2009, other corporate items included \$68 million (\$44 million after-tax) of restructuring charges. In the three months ended June 30, 2008, Corning recorded a \$2.4 billion tax benefit from the release of a valuation allowance on U.S. tax benefits due to sustained profitability and positive future earnings projections for the U.S. entities.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. 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. 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 second quarter of 2009, we recorded charges of \$5 million (\$3 million after-tax) to adjust the asbestos litigation liability for the change in value of the components of the Amended PCC Plan.

2. Weighted Average Shares Outstanding

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

	Three months ended		Three months ended
	June 30,		
	2009	2008	March 31, 2009
Basic	1,550	1,569	1,548
Diluted	1,567	1,600	1,559
Diluted used for non-GAAP measures	1,567	1,600	1,559

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
QUARTERLY SALES INFORMATION

(Unaudited; in millions)

	2009				
	Three Months Ended		Six Months Ended		
	March 31	June 30	June 30		
Display Technologies	\$ 357	\$ 673	\$ 1,030		
Telecommunications					
Fiber and cable	192	235	427		
Hardware and equipment	193	202	395		
	<u>385</u>	<u>437</u>	<u>822</u>		
Environmental Technologies					
Automotive	64	85	149		
Diesel	46	47	93		
	<u>110</u>	<u>132</u>	<u>242</u>		
Specialty Materials	60	71	131		
Life Sciences	76	81	157		
Other	<u>1</u>	<u>1</u>	<u>2</u>		
Total	<u>\$ 989</u>	<u>\$ 1,395</u>	<u>\$ 2,384</u>		
	2008				
	Q1	Q2	Q3	Q4	Total
Display Technologies	\$ 829	\$ 809	\$ 696	\$ 390	\$ 2,724
Telecommunications					
Fiber and cable	214	248	258	200	920
Hardware and equipment	207	229	238	205	879
	<u>421</u>	<u>477</u>	<u>496</u>	<u>405</u>	<u>1,799</u>
Environmental Technologies					
Automotive	137	132	112	77	458
Diesel	60	77	65	51	253
	<u>197</u>	<u>209</u>	<u>177</u>	<u>128</u>	<u>711</u>
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>

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 June 30, 2009

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

Corning's net income and earnings per share (EPS) excluding special items for the second 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 Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	\$ 0.39	\$ 612	\$ 614
<i>Special items:</i>			
Asbestos litigation (a)	-	(5)	(3)
Total EPS and net income	\$ 0.39	\$ 607	\$ 611

(a) In the second quarter of 2009, Corning recorded a charge of \$5 million (\$3 million after-tax) to adjust the asbestos liability for change in value of the components of the Amended PCC Plan.

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 restructuring charges at Dow Corning Corporation.

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

Three Months Ended June 30, 2008

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

Corning's net income and earnings per share (EPS) excluding special items for the second 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.

	<u>Per Share</u>	<u>Income Before Income Taxes</u>	<u>Net Income</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.49	\$ 851	\$ 782
<i>Special items:</i>			
Asbestos litigation (a)	–	(9)	(9)
Litigation settlement (b)	(0.01)	(12)	(12)
Valuation allowance release (c)	<u>1.53</u>	<u>–</u>	<u>2,450</u>
Total EPS and net income	<u>\$ 2.01</u>	<u>\$ 830</u>	<u>\$ 3,211</u>

- (a) In the second quarter of 2008, Corning recorded a charge of \$9 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 second quarter of 2008, Corning recorded a charge of \$12 million to settle litigation associated with our Display Technologies segment.
- (c) In the second quarter of 2008, Corning recorded a valuation allowance release of \$2.4 billion to reflect the expected realizability of U.S. deferred tax assets in future years.

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

Three and Six Months Ended June 30, 2009

(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three and six months ended June 30, 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 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 June 30, 2009	Six months ended June 30, 2009
	<hr/>	<hr/>
Cash flows from operating activities	\$ 368	\$ 632
Less: Cash flows from investing activities	(239)	(365)
Plus: Short-term investments – acquisitions	301	405
Less: Short-term investments – liquidations	<hr/> (274)	<hr/> (516)
Free cash flow	<hr/> \$ 156	<hr/> \$ 156