



operations throughout the world. These actions are key to reaching this goal of profitability. The optical fiber and cable business remains challenging for the short term, but there is still a great deal of long-term value to be realized in this business. We believe our cost structure is coming in line with our current reduced revenue expectations.

The optical components market remains very weak and as a result our photonic technologies business will need to take further action to reduce costs. In this challenging environment, we have narrowed our product focus and continue to explore several strategic options.

Lastly, we are continuing to drive down costs in our administrative and staff functions by standardizing processes and centralizing activities wherever possible.

And as we reach that goal of profitability — as a smaller, more focused, yet highly diverse and balanced company — we are confident that you, our shareholders, will experience greater returns on your investments.

INVESTING IN OUR FUTURE

I continue to be extremely excited about the future opportunities emerging from our 152-year legacy of scientific innovations. We are concentrating our efforts on high-impact, near-term growth initiatives with emphasis on our liquid-crystal display, diesel filter, and chemical processing projects.

And we are certainly not giving up on optical communications. We have the biggest share of the optical fiber market, by far, and continue to be the low-cost producer for anyone needing to move information from place to place. So while we've scaled back on production of fiber and other optical products, we certainly believe that they will continue to be an important part of our product mix again in the future. The optical communications industry is still in its infancy and we will capitalize on our leadership position to grow both our earnings and return on shareholder equity.

Yes, we have trimmed our investment in research to a level appropriate with our lowered revenues. But we're committed to research today even more than we have been in the past.

We are applying more than 10 percent of our revenues toward research. Some may question this high level of commitment in these times ... but we simply will not back away from it. We

have more than 1,000 scientists and researchers in our laboratories. They are at the heart of our innovation engine, and they're going to stay that way!

And in investing in our future, we are talking about more than just our scientific labs. We are continuing to invest in our people — all 23,200 of them, in plants and offices throughout the world — who are continuing to move us forward toward our goals. They have been through a lot during this downturn, and we have done our best to set a tone of open, honest communication, even when the news hasn't been good. In the year ahead, I've told our managers to place special emphasis on our Value of *The Individual* ... knowing that, in the end, the commitment and contribution of all our employees will determine our success.

LOOKING AHEAD

As a company, we have been through an extraordinarily difficult time. We continue to face some formidable challenges. But we are facing them with some equally formidable strengths.

Corning Incorporated is more than the sum of its parts — much more than a commercial enterprise.

We are one company with a proud history of innovation spanning more than 150 years. That legacy has created a diverse business portfolio and strong market leadership.

We have a time-tested set of Values and we rely on them to guide our every action. We also hold dear the pride of association that all who touch our corporation feel. Shareholders, customers and employees understand that your corporation has, for more than 150 years, produced useful and industry-creating products that have changed the lives of mankind.

In our long history, we've always come together in the face of a tough challenge — and you can count on us to continue doing exactly that. I thank you for your continued confidence and assure you that we will succeed!

Sincerely,

James R. Houghton
Chairman and Chief Executive Officer