

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	<u>Three months</u> <u>ended September 30,</u>		<u>Nine months</u> <u>ended September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net sales	\$ 1,282	\$ 1,188	\$ 3,805	\$ 3,379
Cost of sales	<u>716</u>	<u>643</u>	<u>2,125</u>	<u>1,922</u>
Gross margin	566	545	1,680	1,457
Operating expenses:				
Selling, general and administrative expenses	218	178	635	553
Research, development and engineering expenses	127	118	379	320
Amortization of purchased intangibles	2	3	8	11
Restructuring, impairment and other charges	2	28	13	46
Asbestos settlement (Note 1)	<u>13</u>	<u>73</u>	<u>137</u>	<u>204</u>
Operating income	204	145	508	323
Interest income	32	17	82	40
Interest expense	(18)	(23)	(56)	(84)
Loss on repurchases and retirement of debt, net			(11)	(12)
Other income, net	<u>27</u>	<u>17</u>	<u>61</u>	<u>28</u>
Income before income taxes	245	156	584	295
Provision for income taxes	<u>33</u>	<u>28</u>	<u>55</u>	<u>91</u>
Income (loss) before minority interests and equity earnings	212	128	529	204
Minority interests	(6)	(2)	(8)	(8)
Equity in earnings of associated companies, net of impairments	<u>232</u>	<u>77</u>	<u>688</u>	<u>422</u>
Net income	<u>\$ 438</u>	<u>\$ 203</u>	<u>\$ 1,209</u>	<u>\$ 618</u>
Basic earnings per common share (Note 2)	<u>\$ 0.28</u>	<u>\$ 0.14</u>	<u>\$ 0.78</u>	<u>\$ 0.43</u>
Diluted earnings per common share (Note 2)	<u>\$ 0.27</u>	<u>\$ 0.13</u>	<u>\$ 0.76</u>	<u>\$ 0.41</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	<u>September 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 979	\$ 1,342
Short-term investments, at fair value	<u>1,833</u>	<u>1,092</u>
Total cash, cash equivalents and short-term investments	2,812	2,434
Trade accounts receivable, net	753	629
Inventories	673	570
Deferred income taxes	64	44
Other current assets	<u>184</u>	<u>183</u>
Total current assets	4,486	3,860
Investments	2,312	1,729
Property, net	5,082	4,675
Goodwill and other intangible assets, net	331	338
Deferred income taxes	56	10
Other assets	<u>580</u>	<u>595</u>
Total Assets	<u>\$ 12,847</u>	<u>\$ 11,207</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 20	\$ 18
Accounts payable	574	690
Other accrued liabilities	<u>1,726</u>	<u>1,662</u>
Total current liabilities	2,320	2,370
Long-term debt	1,710	1,789
Postretirement benefits other than pensions	592	593
Other liabilities	<u>996</u>	<u>925</u>
Total liabilities	<u>5,618</u>	<u>5,677</u>
Commitments and contingencies		
Minority interests	41	43
Shareholders' equity:		
Preferred stock – Par value \$100.00 per share; Shares authorized: 10 million		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,573 million and 1,552 million	790	776
Additional paid-in capital	11,935	11,548
Accumulated deficit	(5,638)	(6,847)
Treasury stock, at cost; Shares held: 17 million	(196)	(168)
Accumulated other comprehensive income	<u>297</u>	<u>178</u>
Total shareholders' equity	<u>7,188</u>	<u>5,487</u>
Total Liabilities and Shareholders' Equity	<u>\$ 12,847</u>	<u>\$ 11,207</u>

See accompanying notes to these financial statements.

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

	Three months ended		Nine months ended	
	Sept. 30, 2006	June 30, 2006	September 30, 2006	2005
Cash Flows from Operating Activities:				
Net income	\$ 438	\$ 514	\$ 1,209	\$ 618
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	140	149	430	373
Amortization of purchased intangibles	2	3	8	11
Restructuring, impairment and other charges and (credits)	2	5	13	46
Asbestos settlement	13	(61)	137	204
Stock compensation charges	33	30	95	28
Loss on repurchases and retirement of debt, net		11	11	12
Undistributed earnings of affiliated companies	(143)	(169)	(384)	(206)
Deferred taxes	3	(5)	(64)	(11)
Restructuring payments	(3)	(2)	(9)	(21)
Customer deposits, net	12	82	86	376
Employee benefit payments less than expense	3	8	26	44
Changes in certain working capital items:				
Trade accounts receivable	(122)	68	(119)	(78)
Inventories	(11)	(47)	(104)	(46)
Other current assets	(5)	3	(10)	(14)
Accounts payable and other current liabilities, net of restructuring payments	14	1	(181)	(91)
Other, net	35	(9)	31	35
Net cash provided by operating activities	411	581	1,175	1,280
Cash Flows from Investing Activities:				
Capital expenditures	(338)	(274)	(892)	(1,076)
Acquisitions of businesses, net of cash acquired		(16)	(16)	
Net proceeds from sale or disposal of assets	3	8	11	17
Net increase in long-term investments and other long-term assets			(77)	
Short-term investments - acquisitions	(838)	(647)	(2,343)	(1,313)
Short-term investments - liquidations	383	485	1,603	1,163
Other, net				13
Net cash used in investing activities	(790)	(444)	(1,714)	(1,196)
Cash Flows from Financing Activities:				
Repayments of short-term borrowings and current portion of long-term debt	(7)	(3)	(14)	(198)
Proceeds from issuance of long-term debt, net	246		246	147
Repayments of long-term debt	(9)	(334)	(343)	(102)
Proceeds from issuance of common stock, net	5	9	20	356
Proceeds from the exercise of stock options	29	32	280	142
Other, net	(4)	(6)	(12)	(12)
Net cash provided by (used in) financing activities	260	(302)	177	333
Effect of exchange rates on cash		1	(1)	(31)
Net increase (decrease) in cash and cash equivalents	(119)	(164)	(363)	386
Cash and cash equivalents at beginning of period	<u>1,098</u>	<u>1,262</u>	<u>1,342</u>	<u>1,009</u>
Cash and cash equivalents at end of period	\$ 979	\$ 1,098	\$ 979	\$ 1,395

Certain amounts for 2005 were reclassified to conform to 2006 classifications.

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

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

	Display <u>Technologies</u>	Telecom- <u>munications</u>	Environmental <u>Technologies</u>	Life <u>Sciences</u>	All <u>Other</u>	<u>Total</u>
Three months ended September 30, 2006						
Net sales	\$ 506	\$ 456	\$ 153	\$ 68	\$ 99	\$ 1,282
Depreciation (1)	\$ 69	\$ 36	\$ 19	\$ 5	\$ 9	\$ 138
Amortization of purchased intangibles		\$ 2				\$ 2
Research, development and engineering expenses (2)	\$ 30	\$ 20	\$ 30	\$ 12	\$ 9	\$ 101
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ (3)		\$ 3	\$ 2	\$ 2
Income tax provision	\$ (22)	\$ (11)	\$ (3)		\$ (1)	\$ (37)
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 257	\$ 24	\$ 7	\$ (8)	\$ (1)	\$ 279
Minority interests		(5)			(1)	(6)
Equity in earnings of affiliated companies (5)	138	1			9	148
Net income (loss)	<u>\$ 395</u>	<u>\$ 20</u>	<u>\$ 7</u>	<u>\$ (8)</u>	<u>\$ 7</u>	<u>\$ 421</u>
Three months ended September 30, 2005						
Net sales	\$ 489	\$ 398	\$ 144	\$ 70	\$ 87	\$ 1,188
Depreciation (1)	\$ 48	\$ 46	\$ 18	\$ 5	\$ 8	\$ 125
Amortization of purchased intangibles		\$ 3				\$ 3
Research, development and engineering expenses (2)	\$ 29	\$ 21	\$ 26	\$ 11	\$ 7	\$ 94
Restructuring, impairment and other charges and (credits) (before-tax and minority interest) (3)		\$ 28				\$ 28
Income tax provision	\$ (35)	\$ 2	\$ 1		\$ 1	\$ (31)
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 268	\$ (23)	\$ 9	\$ (1)	\$ 1	\$ 254
Minority interests		1			(2)	(1)
Equity in earnings (loss) of affiliated companies (5)	117	6			(107)	16
Net income (loss)	<u>\$ 385</u>	<u>\$ (17)</u>	<u>\$ 9</u>	<u>\$ (1)</u>	<u>\$ (108)</u>	<u>\$ 268</u>
Nine months ended September 30, 2006						
Net sales	\$ 1,514	\$ 1,325	\$ 460	\$ 215	\$ 291	\$ 3,805
Depreciation (1)	\$ 199	\$ 121	\$ 59	\$ 15	\$ 29	\$ 423
Amortization of purchased intangibles		\$ 8				\$ 8
Research, development and engineering expenses (2)	\$ 96	\$ 58	\$ 91	\$ 37	\$ 25	\$ 307
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ 2		\$ 5	\$ 6	\$ 13
Income tax provision	\$ (72)	\$ (30)	\$ (6)		\$ (5)	\$ (113)
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 741	\$ 62	\$ 16	\$ (15)	\$ 2	\$ 806
Minority interests		(5)			(3)	(8)
Equity in earnings (loss) of affiliated companies (5)	415	4	(1)		8	426
Net income (loss)	<u>\$ 1,156</u>	<u>\$ 61</u>	<u>\$ 15</u>	<u>\$ (15)</u>	<u>\$ 7</u>	<u>\$ 1,224</u>
Nine months ended September 30, 2005						
Net sales	\$ 1,224	\$ 1,240	\$ 438	\$ 219	\$ 258	\$ 3,379
Depreciation (1)	\$ 133	\$ 138	\$ 53	\$ 15	\$ 26	\$ 365
Amortization of purchased intangibles		\$ 10				\$ 10
Research, development and engineering expenses (2)	\$ 74	\$ 57	\$ 75	\$ 28	\$ 20	\$ 254
Restructuring, impairment and other charges and (credits) (before-tax and minority interest) (3)		\$ 36			\$ (15)	\$ 21
Income tax provision	\$ (76)	\$ (13)	\$ (5)	\$ (2)	\$ (3)	\$ (99)
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 586	\$ (15)	\$ 22	\$ 4	\$ 21	\$ 618
Minority interests		1			(9)	(8)
Equity in earnings (loss) of affiliated companies (5)	285	7			(82)	210
Net income (loss)	<u>\$ 871</u>	<u>\$ (7)</u>	<u>\$ 22</u>	<u>\$ 4</u>	<u>\$ (70)</u>	<u>\$ 820</u>

- (1) Depreciation expense for Corning's reportable segments is recorded based on the assets of each segment and also 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 and nine months ended September 30, 2005, restructuring, impairment and other charges and (credits) includes a charge of \$28 million 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.
- (5) In the three and nine months ended September 30, 2006, equity in earnings (loss) of affiliated companies includes charges of \$2 million and \$26 million, respectively, in All Other related to impairments for Samsung Corning. In the three and nine months ended September 30, 2005, equity in earnings (loss) of affiliated companies includes a charge of \$106 million for Corning's share of Samsung Corning's impairment of certain manufacturing asset and other charges.

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

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

	<u>Three months</u> <u>ended September 30,</u>		<u>Nine months</u> <u>ended September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net income of reportable segments	\$ 421	\$ 268	\$ 1,224	\$ 820
Unallocated amounts:				
Net financing costs (1)	5	(18)	(5)	(79)
Stock-based compensation expense	(33)	(12)	(95)	(27)
Exploratory research	(22)	(20)	(62)	(56)
Corporate contributions	(7)	(6)	(24)	(18)
Equity in earnings of affiliated companies, net of impairments (2)	84	61	262	212
Asbestos settlement (3)	(13)	(73)	(137)	(204)
Other corporate items (4)	<u>3</u>	<u>3</u>	<u>46</u>	<u>(30)</u>
Net income	<u>\$ 438</u>	<u>\$ 203</u>	<u>\$ 1,209</u>	<u>\$ 618</u>

- (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 includes the following items:
- In the nine months ended September 30, 2006, a \$33 million gain representing our share of a tax settlement relating to an IRS examination at Dow Corning.
 - In the nine months ended September 30, 2005, a gain of \$11 million for our share of a gain on the issuance of subsidiary stock at Dow Corning.
- (3) The asbestos settlement arrangement to be incorporated into the Pittsburgh Corning Corporation (PCC) reorganization plan, when the reorganization plan becomes effective, will require Corning to relinquish its equity interest in PCC, contribute its equity interest in Pittsburgh Corning Europe (PCE), and 25 million shares of Corning common stock to a trust. Corning also agreed to make cash payments over the six years from the effective date of the settlement and to assign certain insurance policy proceeds from its primary insurance and a portion of its excess insurance at the time of the settlement. The asbestos liability requires adjustment to fair value based upon movements in Corning's common stock price prior to contribution of the shares to the trust as well as change in the estimated fair value of the other components of the settlement offer. In the third quarter of 2006 and 2005, Corning recorded a charge of \$6 million and \$68 million, respectively, to reflect the movement in Corning's common stock price in each year and charges of \$7 million and \$5 million, respectively, to reflect changes in the estimated fair value of other components of the settlement offer.
- (4) Other corporate items include the tax impact of the unallocated amounts. In addition, the following items are also included:
- In the nine months ended September 30, 2006, tax benefits of \$48 million from the release of valuation allowances for certain foreign locations.
 - In the nine months ended September 30, 2005, impairment charges of \$25 million for an other-than-temporary decline in our investment in Avanex below its cost basis.
 - In the three and nine months ended September 30, 2005, restructuring credits of \$7 million for adjustments to prior years' reserves.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. 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 proposed settlement, when the plan becomes effective, will require Corning to relinquish its equity interest in PCC, contribute its equity interest in Pittsburgh Corning Europe N.V. (PCE), a Belgian corporation, and contribute 25 million shares of Corning common stock. Corning also agreed to make cash payments with a value of \$131 million, in March 2003, over six years from the effective date of the settlement and to assign insurance policy proceeds from its primary insurance and a portion of its excess insurance at the time of the settlement.

As a result of the proposed asbestos settlement, any changes in the estimated fair value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the third quarter of 2006, Corning recorded a charge of \$13 million (pretax and after-tax) including a mark-to-market charge of \$6 million reflecting the increase in Corning's common stock from June 30, 2006 to September 30, 2006 and a \$7 million charge to adjust the estimated fair value of certain other components of the proposed asbestos settlement.

Beginning with the first quarter of 2003, we have recorded total net charges of \$955 million to reflect the estimated fair value of our asbestos liability.

2. Weighted Average Shares Outstanding

Our weighted average shares outstanding are as follows (in millions):

	Three months ended		Three months ended
	September 30,		
	<u>2006</u>	<u>2005</u>	<u>June 30, 2006</u>
Basic	1,553	1,488	1,549
Diluted	1,593	1,552	1,597
Diluted used for non-GAAP measures	1,593	1,556	1,597

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

	2006				
	Three Months Ended			Nine Months Ended	
	March 31	June 30	Sept. 30	Sept. 30	
Display Technologies	\$ 547	\$ 461	\$ 506	\$ 1,514	
Telecommunications					
Fiber and cable	205	234	241	680	
Hardware and equipment	<u>192</u>	<u>238</u>	<u>215</u>	<u>645</u>	
	397	472	456	1,325	
Environmental Technologies					
Automotive	121	113	112	346	
Diesel	<u>34</u>	<u>39</u>	<u>41</u>	<u>114</u>	
	155	152	153	460	
Life Sciences	72	75	68	215	
Other	<u>91</u>	<u>101</u>	<u>99</u>	<u>291</u>	
Total	<u>\$ 1,262</u>	<u>\$ 1,261</u>	<u>\$ 1,282</u>	<u>\$ 3,805</u>	
	2005				
	Q1	Q2	Q3	Q4	Total
Display Technologies	\$ 320	\$ 415	\$ 489	\$ 518	\$ 1,742
Telecommunications					
Fiber and cable	212	213	216	193	834
Hardware and equipment	<u>215</u>	<u>202</u>	<u>182</u>	<u>190</u>	<u>789</u>
	427	415	398	383	1,623
Environmental Technologies					
Automotive	127	125	121	109	482
Diesel	<u>21</u>	<u>21</u>	<u>23</u>	<u>33</u>	<u>98</u>
	148	146	144	142	580
Life Sciences	74	75	70	63	282
Other	<u>81</u>	<u>90</u>	<u>87</u>	<u>94</u>	<u>352</u>
Total	<u>\$ 1,050</u>	<u>\$ 1,141</u>	<u>\$ 1,188</u>	<u>\$ 1,200</u>	<u>\$ 4,579</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 September 30, 2006
(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 2006 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	\$ 0.28	\$ 258	\$ 451
<i>Special items:</i>			
Asbestos settlement (a)	<u>(0.01)</u>	<u>(13)</u>	<u>(13)</u>
Total EPS and net income	<u>\$ 0.27</u>	<u>\$ 245</u>	<u>\$ 438</u>

- (a) As a result of Corning's proposed asbestos settlement, any changes in the estimated fair value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the third quarter of 2006, Corning recorded a gain of \$13 million (before- and after-tax) including \$6 million for the change in Corning's common stock price of \$24.41 at September 30, 2006, compared to \$24.19 at June 30, 2006 and a \$7 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended June 30, 2006
(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 2006 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	\$ 0.26	\$ 233	\$ 421
<i>Special items:</i>			
Asbestos settlement (a)	0.04	61	61
Loss on repurchases of debt, net	(0.01)	(11)	(11)
Provision for income taxes (b)	0.01		10
Equity in earnings of associated companies (c)	<u>0.02</u>	<u> </u>	<u>33</u>
Total EPS and net income	<u>\$ 0.32</u>	<u>\$ 283</u>	<u>\$ 514</u>

- (a) As a result of Corning's proposed asbestos settlement, any changes in the estimated fair value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the second quarter of 2006, Corning recorded a gain of \$61 million (before- and after-tax) including \$68 million for the change in Corning's common stock price of \$24.19 at June 30, 2006, compared to \$26.92 at March 31, 2006 and a \$7 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (b) Amount reflects a \$10 million tax benefit from the release of Corning's valuation allowance on Australian tax benefits.
- (c) Amount reflects a \$33 million increase in equity earnings representing Corning's share of a favorable tax settlement from the completion of an IRS examination at Dow Corning.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended September 30, 2005
(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 2005 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 measure.

	<u>Per Share</u>	<u>Income Before Income Taxes</u>	<u>Net Income</u>
EPS and net income, excluding special items	\$ 0.26	\$ 257	\$ 410
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)	(0.02)	(28)	(28)
Asbestos settlement (b)	(0.04)	(73)	(73)
Equity in earnings of associated companies (c)	<u>(0.07)</u>	<u> </u>	<u>(106)</u>
Total EPS and net income	<u>\$ 0.13</u>	<u>\$ 156</u>	<u>\$ 203</u>

- (a) In the third quarter of 2005, we recorded a charge of \$28 million (before- and after-tax and minority interest) which included severance costs associated with cost reduction efforts in our Telecommunications segment. Also included in this charge were \$2 million of credits for adjustments related to prior years' restructuring charges.
- (b) As a result of Corning's proposed asbestos settlement, any changes in the estimated fair value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the third quarter of 2005, Corning recorded a charge of \$73 million (before- and after-tax) including \$68 million for the change in Corning's common stock price of \$19.33 at September 30, 2005, compared to \$16.62 at June 30, 2005 and a \$5 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (c) In the third quarter of 2005, Samsung Corning Co., Ltd., a South Korea-based manufacturer of glass panels and funnels for cathode ray tube television and display monitors, recorded an impairment charge for certain of its manufacturing assets and severance and exit costs. Our equity earnings were reduced by \$106 million for Corning's share of these charges.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended September 30, 2006
(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months ended September 30, 2006 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 <u>September 30, 2006</u>
Cash flows from operating activities	\$ 411
Less: Cash flows from investing activities	(790)
Plus: Short-term investments - acquisitions	838
Less: Short-term investments - liquidations	<u>(383)</u>
Free cash flow	<u>\$ 76</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended December 31, 2006
(Unaudited; amounts in millions, except per share amounts)

Corning's earnings per share (EPS) excluding special items for the fourth quarter of 2006 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 detailed reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measure.

	Range	
Guidance: EPS excluding special items	\$0.26	\$0.29
<i>Special items:</i>		
Restructuring, impairment and other (charges) and credits (a)		
Asbestos settlement (b)	_____	_____
Earnings per share		

This schedule will be updated as additional announcements occur.

- (a) From time to time, Corning may need to make adjustments to estimates used in the determination of prior year restructuring and impairment charges, which could result in a gain or loss during the quarter.
- (b) As part of Corning's asbestos settlement arrangement to be incorporated into the Pittsburgh Corning Corporation reorganization plan, Corning will contribute, when the reorganization plan becomes effective, 25 million shares of Corning common stock to a trust. The common stock will be contributed to the trust, after the plan has been approved by the asbestos claimants and bankruptcy court. The portion of the asbestos liability to be settled in common stock requires adjustment each quarter based upon movements in Corning's common stock price prior to contribution of the shares to the trust. In the fourth quarter of 2006, Corning will record a charge or credit for the change in its common stock price as of December 31, 2006 compared to \$24.41, the common stock price at September 30, 2006. In addition, Corning will record an adjustment to the asbestos liability to reflect the change in fair value of any of the other components of the proposed asbestos settlement.

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 fourth quarter 2006 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.