

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	Three months ended March 31,	
	2007	2006
Net sales	\$ 1,307	\$ 1,262
Cost of sales	716	689
Gross margin	591	573
Operating expenses:		
Selling, general and administrative expenses	214	223
Research, development and engineering expenses	130	124
Amortization of purchased intangibles	3	3
Restructuring, impairment and other charges	6	6
Asbestos settlement (Note 1)	110	185
Operating income	134	32
Interest income	37	24
Interest expense	(21)	(20)
Loss on repurchases and retirement of debt (Note 2)	(15)	
Other income, net	32	20
Income before income taxes	167	56
(Provision) benefit for income taxes	(56)	2
Income before minority interests and equity earnings	111	58
Minority interests		(1)
Equity in earnings of affiliated companies, net of impairments	216	200
Net income	\$ 327	\$ 257
Basic earnings per common share (Note 3)	\$ 0.21	\$ 0.17
Diluted earnings per common share (Note 3)	\$ 0.20	\$ 0.16

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	March 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,123	\$ 1,157
Short-term investments, at fair value	1,765	2,010
Total cash, cash equivalents and short-term investments	2,888	3,167
Trade accounts receivable, net	781	746
Inventories	685	639
Deferred income taxes	38	47
Other current assets	237	199
Total current assets	4,629	4,798
Investments	2,588	2,522
Property, net	5,281	5,193
Goodwill and other intangible assets, net	314	316
Deferred income taxes	116	114
Other assets	233	122
	13,161	13,065
Total Assets	\$ 13,161	\$ 13,065
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 20	\$ 20
Accounts payable	551	631
Other accrued liabilities	1,660	1,668
Total current liabilities	2,231	2,319
Long-term debt	1,466	1,696
Postretirement benefits other than pensions	740	739
Other liabilities	1,034	1,020
Total liabilities	5,471	5,774
Commitments and contingencies		
Minority interests	46	45
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,586 million and 1,582 million	793	791
Additional paid-in capital	12,071	12,008
Accumulated deficit	(4,668)	(4,992)
Treasury stock, at cost; Shares held: 18 million and 17 million	(222)	(201)
Accumulated other comprehensive loss	(330)	(360)
Total shareholders' equity	7,644	7,246
	13,161	13,065
Total Liabilities and Shareholders' Equity	\$ 13,161	\$ 13,065

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three months ended March 31,	
	2007	2006
Cash Flows from Operating Activities:		
Net income	\$ 327	\$ 257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	150	141
Amortization of purchased intangibles	3	3
Asbestos settlement	110	185
Restructuring, impairment and other charges		6
Loss on repurchases of debt	15	
Stock compensation charges	36	32
Undistributed earnings of affiliated companies	(67)	(70)
Deferred tax benefit		(62)
Restructuring payments	(11)	(4)
Customer deposits, net of (credits) issued	(33)	(8)
Employee benefit payments (in excess of) less than expense	(92)	15
Changes in certain working capital items:		
Trade accounts receivable	(28)	(65)
Inventories	(42)	(46)
Other current assets	(57)	(8)
Accounts payable and other current liabilities, net of restructuring payments	(121)	(195)
Other, net	3	
Net cash provided by operating activities	193	181
Cash Flows from Investing Activities:		
Capital expenditures	(262)	(280)
Net increase in long-term investments and other long-term assets		(77)
Short-term investments – acquisitions	(553)	(858)
Short-term investments – liquidations	798	735
Net cash used in investing activities	(17)	(480)
Cash Flows from Financing Activities:		
Net repayments of short-term borrowings and current portion of long-term debt	(8)	(4)
Retirements of long-term debt	(238)	
Proceeds from issuance of common stock, net	4	6
Proceeds from the exercise of stock options	22	219
Other, net		(2)
Net cash (used in) provided by financing activities	(220)	219
Effect of exchange rates on cash	10	
Net decrease in cash and cash equivalents	(34)	(80)
Cash and cash equivalents at beginning of period	1,157	1,342
Cash and cash equivalents at end of period	\$ 1,123	\$ 1,262

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 Technologies	Telecom- munications	Environmental Technologies	Life Sciences	All Other	Total
Three months ended March 31, 2007						
Net sales	\$ 524	\$ 439	\$ 179	\$ 76	\$ 89	\$ 1,307
Depreciation (1)	\$ 81	\$ 33	\$ 21	\$ 5	\$ 8	\$ 148
Amortization of purchased intangibles		\$ 3				\$ 3
Research, development and engineering expenses (2)	\$ 27	\$ 19	\$ 30	\$ 12	\$ 9	\$ 97
Income tax provision	\$ (41)	\$ (14)	\$ (4)			\$ (59)
Earnings (loss) before minority interest and equity earnings (3)	\$ 267	\$ 28	\$ 9		\$ (1)	\$ 303
Equity in earnings of affiliated companies						
	\$ 113	\$ 1			\$ 9	\$ 123
Net income	<u>\$ 380</u>	<u>\$ 29</u>	<u>\$ 9</u>		<u>\$ 8</u>	<u>\$ 426</u>
Three months ended March 31, 2006						
Net sales	\$ 547	\$ 397	\$ 155	\$ 72	\$ 91	\$ 1,262
Depreciation (1)	\$ 62	\$ 42	\$ 20	\$ 5	\$ 10	\$ 139
Amortization of purchased intangibles		\$ 3				\$ 3
Research, development and engineering expenses (2)	\$ 30	\$ 20	\$ 30	\$ 13	\$ 8	\$ 101
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ 6				\$ 6
Income tax provision	\$ (29)	\$ (6)			\$ (3)	\$ (38)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 275	\$ (2)		\$ (5)	\$ 2	\$ 270
Minority interests		\$ 1			\$ (2)	\$ (1)
Equity in earnings (loss) of affiliated companies (4)	\$ 142	\$ 2	\$ (1)		\$ (13)	\$ 130
Net income (loss)	<u>\$ 417</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ (5)</u>	<u>\$ (13)</u>	<u>\$ 399</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) 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.
- (4) In the first quarter of 2006, equity in earnings (loss) of affiliated companies includes a charge of \$21 million for Corning's share of Samsung Corning's impairment of certain manufacturing assets and other charges.

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

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

	<u>Three months ended March 31,</u>	
	<u>2007</u>	<u>2006</u>
Net income of reportable segments	\$ 426	\$ 399
Unallocated amounts:		
Net financing costs (1)	8	(8)
Stock-based compensation expense	(36)	(32)
Exploratory research (2)	(28)	(21)
Corporate contributions	(14)	(8)
Equity in earnings of affiliated companies, net of impairments	93	70
Asbestos settlement (3)	(110)	(185)
Other corporate items (4)	(12)	42
Net income	<u>\$ 327</u>	<u>\$ 257</u>

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

(2) Exploratory research includes \$10 million of development spending in 2007.

(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 first quarter of 2007 and 2006, Corning recorded a charge of \$101 million and \$182 million, respectively, to reflect the movement in Corning's common stock price in each year and changes of \$9 million and \$3 million, respectively, to reflect changes in the estimated fair value of the 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 first quarter of 2007, loss of \$15 million from the repurchase of \$223 million principal amount of our 6.25% Euro notes due 2010.
- In the first quarter of 2006, a \$38 million tax benefit from the release of our valuation allowance on Germany trade taxes.

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, if approved, 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 first quarter of 2007, Corning recorded a charge of \$110 million (pretax and after-tax) including a mark-to-market charge of \$101 million reflecting the increase in Corning's common stock from December 31, 2006 to March 31, 2007 and a \$9 million charge to adjust the estimated fair value of certain other components of the proposed asbestos settlement.

Beginning with the first quarter of 2003, Corning has recorded total net charges of \$927 million to reflect the estimated fair value of our asbestos liability.

2. Loss on Repurchase of Debt

In the first quarter of 2007, Corning recognized a loss of \$15 million upon the repurchase of \$223 million principal amount of our 6.25% Euro notes due 2010.

3. Weighted Average Shares Outstanding

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

	Three months ended		Three months ended
	March 31,		December 31,
	2007	2006	2006
Basic	1,563	1,541	1,557
Diluted	1,600	1,592	1,596
Diluted used for non-GAAP measures	1,600	1,592	1,596

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
QUARTERLY SALES INFORMATION

(Unaudited; in millions)

	<u>2007</u>	<u>2006</u>				<u>Total</u>
	<u>Q1</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	
Display Technologies	\$ 524	\$ 547	\$ 461	\$ 506	\$ 619	\$ 2,133
Telecommunications						
Fiber and cable	211	205	234	241	197	877
Hardware and equipment	228	192	238	215	207	852
	<u>439</u>	<u>397</u>	<u>472</u>	<u>456</u>	<u>404</u>	<u>1,729</u>
Environmental Technologies						
Automotive	123	121	113	112	105	451
Diesel	56	34	39	41	50	164
	<u>179</u>	<u>155</u>	<u>152</u>	<u>153</u>	<u>155</u>	<u>615</u>
Life Sciences	76	72	75	68	72	287
Other	<u>89</u>	<u>91</u>	<u>101</u>	<u>99</u>	<u>119</u>	<u>410</u>
Total	<u>\$ 1,307</u>	<u>\$ 1,262</u>	<u>\$ 1,261</u>	<u>\$ 1,282</u>	<u>\$ 1,369</u>	<u>\$ 5,174</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, 2007
(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 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	\$ 0.28	\$ 292	\$ 452
<i>Special items:</i>			
Asbestos settlement (a)	(0.07)	(110)	(110)
Loss on repurchase of debt, net (b)	<u>(0.01)</u>	<u>(15)</u>	<u>(15)</u>
Total EPS and net income	<u>\$ 0.20</u>	<u>\$ 167</u>	<u>\$ 327</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 first quarter of 2007, Corning recorded a charge of \$110 million (before- and after-tax) including a charge of \$101 million for the change in Corning's common stock price of \$22.74 at March 31, 2007, compared to \$18.71 at December 31, 2006 and a \$9 million charge for the change in the estimated fair value of certain other components of the proposed asbestos settlement liability.

(b) Amount reflects a \$15 million loss on the repurchase of \$223 million principal amount of our 6.25% Euro notes due 2010.

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 net income and earnings per share (EPS) excluding special items for the fourth 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.

	Per Share	Income (Loss) Before Income Taxes	Net Income (Loss)
Earnings per share (EPS) and net income, excluding special items	\$ 0.31	\$ 282	\$ 488
<i>Special items:</i>			
Restructuring, impairment, and other (charges) and credits (a)	(0.03)	(44)	(44)
Asbestos settlement (b)	0.09	139	139
Provision for income taxes (c)	0.02		35
Equity in earnings of affiliated companies (d)	0.02		28
Total EPS and net income	\$ 0.41	\$ 377	\$ 646

- (a) Amount represents a \$44 million asset impairment charge for certain long-lived assets in our Telecommunications segment.
- (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 fourth quarter of 2006, Corning recorded a credit of \$139 million (before- and after-tax) including a credit of \$143 million for the change in Corning's common stock price of \$18.71 at December 31, 2006, compared to \$24.41 at September 30, 2006 and a \$4 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (c) Amount reflects a \$35 million tax benefit from the release of our valuation allowance on certain deferred tax assets in Germany.
- (d) Amount reflects the following items which increased Corning's equity earnings by \$28 million (net) in 2006: an impairment charge for certain long-lived assets of Samsung Corning; the impact of Samsung Corning's establishment of a valuation allowance against certain deferred tax assets; a gain on the sale of land at Samsung Corning; and 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 March 31, 2007 and December 31, 2006
(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months ended March 31, 2007 and December 31, 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 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.

	<u>Three months ended March 31, 2007</u>	<u>Three months ended December 31, 2006</u>
Cash flows from operating activities	\$ 193	\$ 628
Less: Cash flows from investing activities	(17)	(467)
Plus: Short-term investments – acquisitions	553	551
Less: Short-term investments – liquidations	<u>(798)</u>	<u>(373)</u>
Free cash flow	<u>\$ (69)</u>	<u>\$ 339</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Years Ended December 31, 2006, 2005 and 2004
(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the years ended December 31, 2006, 2005 and 2004 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.

	<u>Year ended December 31, 2006</u>	<u>Year ended December 31, 2005</u>	<u>Year ended December 31, 2004</u>
Cash flows from operating activities	\$ 1,803	\$ 1,939	\$ 1,009
Less: Cash flows from investing activities	(2,181)	(1,712)	(992)
Plus: Short-term investments – acquisitions	2,894	1,668	1,685
Less: Short-term investments – liquidations	<u>(1,976)</u>	<u>(1,452)</u>	<u>(1,389)</u>
Free cash flow	<u>\$ 540</u>	<u>\$ 443</u>	<u>\$ 313</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended June 30, 2007

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

Corning's earnings per share (EPS) excluding special items for the second quarter of 2007 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	\$ 0.30	\$ 0.33
Special items:		
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, if the reorganization plan is approved, 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 second quarter of 2007, Corning will record a charge or credit for the change in its common stock price as of June 30, 2007 compared to \$22.74, the common stock price at March 31, 2007. 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 second quarter 2007 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.