

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Net sales	\$ 1,418	\$ 1,261	\$ 2,725	\$ 2,523
Cost of sales	<u>759</u>	<u>720</u>	<u>1,475</u>	<u>1,409</u>
Gross margin	659	541	1,250	1,114
Operating expenses:				
Selling, general and administrative expense	229	194	443	417
Research, development and engineering expenses	137	128	267	252
Amortization of purchased intangibles	2	3	5	6
Restructuring, impairment and other charges and (credits)	(2)	5	(2)	11
Asbestos settlement charge (credit) (Note 1)	<u>76</u>	<u>(61)</u>	<u>186</u>	<u>124</u>
Operating income	217	272	351	304
Interest income	35	26	72	50
Interest expense	(20)	(18)	(41)	(38)
Loss on repurchases and retirement of debt, net		(11)	(15)	(11)
Other income, net (Note 2)	<u>57</u>	<u>14</u>	<u>89</u>	<u>34</u>
Income before income taxes	289	283	456	339
Provision for income taxes	<u>19</u>	<u>24</u>	<u>75</u>	<u>22</u>
Income before minority interest and equity earnings	270	259	381	317
Minority interests	(1)	(1)	(1)	(2)
Equity in earnings of affiliated companies, net of impairments	<u>220</u>	<u>256</u>	<u>436</u>	<u>456</u>
Net income	<u>\$ 489</u>	<u>\$ 514</u>	<u>\$ 816</u>	<u>\$ 771</u>
Basic earnings per common share (Note 3)	<u>\$ 0.31</u>	<u>\$ 0.33</u>	<u>\$ 0.52</u>	<u>\$ 0.50</u>
Diluted earnings per common share (Note 3)	<u>\$ 0.30</u>	<u>\$ 0.32</u>	<u>\$ 0.51</u>	<u>\$ 0.48</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	June 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,874	\$ 1,157
Short-term investments, at fair value	1,329	2,010
Total cash, cash equivalents and short-term investments	3,203	3,167
Trade accounts receivable, net	793	719
Inventories	677	639
Deferred income taxes	33	47
Other current assets	301	226
Total current assets	5,007	4,798
Investments	2,720	2,522
Property, net	5,179	5,193
Goodwill and other intangible assets, net	313	316
Deferred income taxes	116	114
Other assets	205	122
Total Assets	\$ 13,540	\$ 13,065
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 19	\$ 20
Accounts payable	474	631
Other accrued liabilities	1,712	1,668
Total current liabilities	2,205	2,319
Long-term debt	1,456	1,696
Postretirement benefits other than pensions	714	739
Other liabilities	956	1,020
Total liabilities	5,331	5,774
Commitments and contingencies		
Minority interests	43	45
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,592 million and 1,582 million	796	791
Additional paid-in capital	12,165	12,008
Accumulated deficit	(4,179)	(4,992)
Treasury stock, at cost; Shares held: 19 million and 17 million	(234)	(201)
Accumulated other comprehensive loss	(382)	(360)
Total shareholders' equity	8,166	7,246
Total Liabilities and Shareholders' Equity	\$ 13,540	\$ 13,065

See accompanying notes to these financial statements.

Certain amounts for 2006 were reclassified to conform with the 2007 presentation.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three months ended		Six months ended	
	June 30, 2007	March 31, 2007	June 30, 2007	June 30, 2006
Cash Flows from Operating Activities:				
Net income	\$ 489	\$ 327	\$ 816	\$ 771
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	149	150	299	290
Amortization of purchased intangibles	2	3	5	6
Asbestos settlement	76	110	186	124
Restructuring, impairment and other (credits) charges	(2)		(2)	11
Loss on repurchases of debt		15	15	11
Stock compensation charges	35	36	71	62
Gain on sale of business	(19)		(19)	
Undistributed earnings of affiliated companies	(101)	(67)	(168)	(239)
Deferred tax benefit				(67)
Restructuring payments	(9)	(11)	(20)	(6)
Customer deposits, net of (credits) issued	(33)	(33)	(66)	74
Employee benefit payments (in excess of) less than expense		(92)	(92)	23
Changes in certain working capital items:				
Trade accounts receivable	(79)	(28)	(107)	3
Inventories	(26)	(42)	(68)	(93)
Other current assets	(27)	(57)	(84)	(5)
Accounts payable and other current liabilities, net of restructuring payments	10	(121)	(111)	(195)
Other, net	10	3	13	(8)
Net cash provided by operating activities	<u>475</u>	<u>193</u>	<u>668</u>	<u>762</u>
Cash Flows from Investing Activities:				
Capital expenditures	(204)	(262)	(466)	(554)
Acquisitions of businesses, net of cash received	(4)		(4)	(16)
Net (payments) proceeds from sale or disposal of assets	(10)		(10)	8
Net increase in long-term investments and other long-term assets				(77)
Short-term investments – acquisitions	(396)	(553)	(949)	(1,505)
Short-term investments – liquidations	832	798	1,630	1,220
Net cash provided by (used in) investing activities	<u>218</u>	<u>(17)</u>	<u>201</u>	<u>(924)</u>
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(2)	(8)	(10)	(7)
Retirements of long-term debt		(238)	(238)	(334)
Proceeds from issuance of common stock, net	9	4	13	15
Proceeds from the exercise of stock options	47	22	69	251
Other, net				(8)
Net cash provided by (used in) financing activities	<u>54</u>	<u>(220)</u>	<u>(166)</u>	<u>(83)</u>
Effect of exchange rates on cash	4	10	14	1
Net increase (decrease) in cash and cash equivalents	751	(34)	717	(244)
Cash and cash equivalents at beginning of period	<u>1,123</u>	<u>1,157</u>	<u>1,157</u>	<u>1,342</u>
Cash and cash equivalents at end of period	<u>\$ 1,874</u>	<u>\$ 1,123</u>	<u>\$ 1,874</u>	<u>\$ 1,098</u>

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 June 30, 2007						
Net sales	\$ 610	\$ 438	\$ 191	\$ 78	\$ 101	\$ 1,418
Depreciation (1)	\$ 79	\$ 32	\$ 22	\$ 5	\$ 9	\$ 147
Amortization of purchased intangibles		\$ 2				\$ 2
Research, development and engineering expenses (2)	\$ 28	\$ 21	\$ 31	\$ 13	\$ 13	\$ 106
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ (2)				\$ (2)
Income tax provision	\$ (11)	\$ (8)	\$ (4)			\$ (23)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 354	\$ 39	\$ 13		\$ (3)	\$ 403
Minority interests					\$ (1)	\$ (1)
Equity in earnings (loss) of affiliated companies	\$ 132	\$ 1	\$ 1		\$ (6)	\$ 128
Net income (loss)	\$ 486	\$ 40	\$ 14	\$ 0	\$ (10)	\$ 530
Three months ended June 30, 2006						
Net sales	\$ 461	\$ 472	\$ 152	\$ 75	\$ 101	\$ 1,261
Depreciation (1)	\$ 68	\$ 43	\$ 20	\$ 5	\$ 10	\$ 146
Amortization of purchased intangibles		\$ 3				\$ 3
Research, development and engineering expenses (2)	\$ 36	\$ 18	\$ 31	\$ 12	\$ 8	\$ 105
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ (1)		\$ 2	\$ 4	\$ 5
Income tax provision	\$ (21)	\$ (13)	\$ (3)		\$ (1)	\$ (38)
Earnings (loss) before minority interest and equity earnings (3)	\$ 209	\$ 40	\$ 9	\$ (2)	\$ 1	\$ 257
Minority interests		\$ (1)				\$ (1)
Equity in earnings of affiliated companies (4)	\$ 135	\$ 1	\$ 9	\$ (2)	\$ 12	\$ 148
Net income (loss)	\$ 344	\$ 40	\$ 9	\$ (2)	\$ 13	\$ 404
Six months ended June 30, 2007						
Net sales	\$ 1,134	\$ 877	\$ 370	\$ 154	\$ 190	\$ 2,725
Depreciation (1)	\$ 160	\$ 65	\$ 43	\$ 10	\$ 17	\$ 295
Amortization of purchased intangibles		\$ 5				\$ 5
Research, development and engineering expenses (2)	\$ 55	\$ 40	\$ 61	\$ 25	\$ 22	\$ 203
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ (2)				\$ (2)
Income tax provision	\$ (52)	\$ (22)	\$ (8)			\$ (82)
Earnings (loss) before minority interest and equity earnings (3)	\$ 621	\$ 67	\$ 22		\$ (4)	\$ 706
Minority interests					\$ (1)	\$ (1)
Equity in earnings of affiliated companies	\$ 245	\$ 2	\$ 1		\$ 3	\$ 251
Net income (loss)	\$ 866	\$ 69	\$ 23	\$ 0	\$ (2)	\$ 956
Six months ended June 30, 2006						
Net sales	\$ 1,008	\$ 869	\$ 307	\$ 147	\$ 192	\$ 2,523
Depreciation (1)	\$ 130	\$ 85	\$ 40	\$ 10	\$ 20	\$ 285
Amortization of purchased intangibles		\$ 6				\$ 6
Research, development and engineering expenses (2)	\$ 66	\$ 38	\$ 61	\$ 25	\$ 16	\$ 206
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ 6		\$ 2	\$ 3	\$ 11
Income tax provision	\$ (50)	\$ (19)	\$ (3)		\$ (4)	\$ (76)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 484	\$ 38	\$ 9	\$ (7)	\$ 3	\$ 527
Minority interests					\$ (2)	\$ (2)
Equity in earnings (loss) of affiliated companies (4)	\$ 277	\$ 3	\$ (1)		\$ (1)	\$ 278
Net income (loss)	\$ 761	\$ 41	\$ 8	\$ (7)	\$ 0	\$ 803

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

- (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 three and six months ended June 30, 2007, equity in earnings (loss) of affiliated companies includes charges of \$15 million in All Other related to impairments for Samsung Corning. In the three and six months ended June 30, 2006, equity in earnings (loss) of affiliated companies includes charges of \$3 million and \$24 million, respectively, in All Other related to impairments for Samsung Corning.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net income of reportable segments	\$ 530	\$ 404	\$ 956	\$ 803
Unallocated amounts:				
Net financing costs (1)	10	(2)	18	(10)
Stock-based compensation expense	(34)	(30)	(70)	(62)
Exploratory research (2)	(29)	(19)	(57)	(40)
Corporate contributions	(6)	(9)	(20)	(17)
Equity in earnings of affiliated companies, net of impairments (3)	92	108	185	178
Asbestos settlement (4)	(76)	61	(186)	(124)
Other corporate items (5)	2	1	(10)	43
Net income	<u>\$ 489</u>	<u>\$ 514</u>	<u>\$ 816</u>	<u>\$ 771</u>

- (1) Net financing costs include interest expense, interest income, and interest costs and investment gains associated with benefit plans.
- (2) Exploratory research includes \$12 million and \$22 million of spending in the three and six months ended June 30, 2007, respectively, on development programs such as silicon on glass, green lasers and micro-reactors.
- (3) In the three and six months ended June 30, 2006, equity in earnings of affiliated companies, net of impairments, includes a \$33 million gain representing our share of a tax settlement relating to an IRS examination at Dow Corning.
- (4) The asbestos settlement arrangement to be incorporated into the Pittsburgh Corning Corporation (PCC) reorganization plan, if 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 second quarter of 2007 and 2006, Corning recorded a charge of \$70 million and credit of \$68 million, respectively, to reflect the movement in Corning's common stock price in each year and charges of \$6 million and \$7 million, respectively, to reflect changes in the estimated fair value of the other components of the settlement offer. In the six months ended June 30, 2007 and 2006, Corning recorded charges of \$171 million and \$114 million, respectively, to reflect the movement in Corning's common stock price in each year and charges of \$15 million and \$10 million, respectively, to reflect changes in the estimated fair value of other components of the settlement offer.
- (5) Other corporate items include the tax impact of the unallocated amounts. In addition, the following items are also included:
 - In the six months ended June 30, 2007, 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 six months ended June 30, 2006, tax benefits of \$10 million and \$48 million, respectively, from the release of valuation allowances for certain foreign locations.

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 second quarter of 2007, Corning recorded a charge of \$76 million (pretax and after-tax) including a mark-to-market charge of \$70 million reflecting the increase in Corning's common stock from March 31, 2007 to June 30, 2007 and a \$6 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 \$1 billion to reflect the estimated fair value of our asbestos liability.

2. Gain on Sale of Business

In the second quarter of 2007, Corning recognized a gain of \$19 million from the sale of its European submarine cabling business. Quarterly sales of this business for 2006 and 2007 were as follows:

	<u>2007</u>	<u>2006</u>
Quarter 1	\$ 30	\$ 19
Quarter 2	9	28
Quarter 3	0	38
Quarter 4	0	33
	<u>\$ 39</u>	<u>\$ 118</u>

3. Weighted Average Shares Outstanding

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

	<u>Three months ended</u>		<u>Three months ended</u>
	<u>June 30,</u>		<u>March 31, 2007</u>
	<u>2007</u>	<u>2006</u>	
Basic	1,567	1,549	1,563
Diluted	1,605	1,597	1,600
Diluted used for non-GAAP measures	1,605	1,597	1,600

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
QUARTERLY SALES INFORMATION

(Unaudited; in millions)

	<u>2007</u>				
	<u>Three Months Ended</u>		<u>Six Months Ended</u>		
	<u>March 31</u>	<u>June 30</u>	<u>June 30</u>		
Display Technologies	\$ 524	\$ 610	\$ 1,134		
Telecommunications					
Fiber and cable	211	219	430		
Hardware and equipment	228	219	447		
	<u>439</u>	<u>438</u>	<u>877</u>		
Environmental Technologies					
Automotive	123	128	251		
Diesel	56	63	119		
	<u>179</u>	<u>191</u>	<u>370</u>		
Life Sciences	76	78	154		
Other	<u>89</u>	<u>101</u>	<u>190</u>		
Total	<u>\$ 1,307</u>	<u>\$ 1,418</u>	<u>\$ 2,725</u>		
	<u>2006</u>				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Display Technologies	\$ 547	\$ 461	\$ 506	\$ 619	\$ 2,133
Telecommunications					
Fiber and cable	205	234	241	197	877
Hardware and equipment	192	238	215	207	852
	<u>397</u>	<u>472</u>	<u>456</u>	<u>404</u>	<u>1,729</u>
Environmental Technologies					
Automotive	121	113	112	105	451
Diesel	34	39	41	50	164
	<u>155</u>	<u>152</u>	<u>153</u>	<u>155</u>	<u>615</u>
Life Sciences	72	75	68	72	287
Other	<u>91</u>	<u>101</u>	<u>99</u>	<u>119</u>	<u>410</u>
Total	<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 June 30, 2007
(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 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	\$ 0.34	\$ 346	\$ 546
<i>Special items:</i>			
Asbestos settlement (a)	(0.05)	(76)	(76)
Gain on sale of business, net (b)	<u>0.01</u>	<u>19</u>	<u>19</u>
Total EPS and net income	<u>\$ 0.30</u>	<u>\$ 289</u>	<u>\$ 489</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 2007, Corning recorded a charge of \$76 million (before- and after-tax) including a charge of \$70 million for the change in Corning's common stock price of \$25.55 at June 30, 2007, compared to \$22.74 at March 31, 2007 and a \$6 million charge for the change in the estimated fair value of certain other components of the proposed asbestos settlement liability.

(b) Amount reflects a \$19 million gain on the sale of the European submarine cabling business.

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 credit 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 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 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.

	Per Share	Income (Loss) Before Income Taxes	Net Income (Loss)
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 affiliated companies (c)	0.02		33
Total EPS and net income	\$ 0.32	\$ 283	\$ 514

- (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 June 30, 2007
(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months ended June 30, 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 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, 2007
Cash flows from operating activities	\$ 475
Less: Cash flows from investing activities	218
Plus: Short-term investments – acquisitions	396
Less: Short-term investments – liquidations	<u>(832)</u>
Free cash flow	<u>\$ 257</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Telecommunications Segment
(Unaudited; amounts in millions)

Corning's comment, "Excluding the sales from the Company's European submarine cabling business which was sold on April 30, 2007, sales increased 5 percent, sequentially." includes 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 this non-GAAP improvement in segment sales 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.

	Sales vs. Prior Quarter		
	Three months ended		
	June 30,	March 31,	%
	2007	2007	Change
	<u> </u>	<u> </u>	<u> </u>
Telecommunications segment sales excluding sales from the Company's European submarine cabling business	\$ 429	\$ 409	5%
Sales of the European submarine cabling business	<u>9</u>	<u>30</u>	<u> </u>
Telecommunications segment sales	<u>\$ 438</u>	<u>\$ 439</u>	<u>0%</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Telecommunications Segment
(Unaudited; amounts in millions)

Corning's comment, "The Telecommunications segment third quarter sequential sales growth is expected to be about 10 percent, excluding the sales of the divested European submarine cabling business." includes 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 this non-GAAP improvement in segment sales 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.

	Three months ended September 30, 2007
Second quarter 2007 Telecommunications segment sales	\$ 438
Less: European submarine cabling business sales	(9)
Second quarter 2007 Telecommunications segment sales excluding European cabling business sales	429
Expected 10% third-quarter 2007 Telecommunications sales growth	43
Third-quarter 2007 expected Telecommunications sales	\$ 472

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

Three Months Ended September 30, 2007

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

Corning's earnings per share (EPS) excluding special items for the third 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	\$ 0.34	\$ 0.37
<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, 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 third quarter of 2007, Corning will record a charge or credit for the change in its common stock price as of September 30, 2007 compared to \$25.55, the common stock price at June 30, 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 third 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.