

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	Three months ended		Year ended	
	December 31,		December 31,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net sales	\$ 1,369	\$ 1,200	\$ 5,174	\$ 4,579
Cost of sales	<u>766</u>	<u>673</u>	<u>2,891</u>	<u>2,595</u>
Gross margin	603	527	2,283	1,984
Operating expenses:				
Selling, general and administrative expenses	222	203	857	756
Research, development and engineering expenses	138	123	517	443
Amortization of purchased intangibles	3	2	11	13
Restructuring, impairment and other charges and (credits) (Note 1)	41	(84)	54	(38)
Asbestos settlement (Note 2)	<u>(139)</u>	<u>14</u>	<u>(2)</u>	<u>218</u>
Operating income	338	269	846	592
Interest income	36	21	118	61
Interest expense	(20)	(24)	(76)	(108)
Loss on repurchases and retirement of debt, net		(4)	(11)	(16)
Other income, net	<u>23</u>	<u>2</u>	<u>84</u>	<u>30</u>
Income before income taxes	377	264	961	559
Provision for income taxes (Note 3)		<u>(487)</u>	<u>(55)</u>	<u>(578)</u>
Income (loss) before minority interests and equity earnings	377	(223)	906	(19)
Minority interests	(3)	1	(11)	(7)
Equity in earnings of affiliated companies, net of impairments (Note 4)	<u>272</u>	<u>189</u>	<u>960</u>	<u>611</u>
Net income (loss)	<u>\$ 646</u>	<u>\$ (33)</u>	<u>\$ 1,855</u>	<u>\$ 585</u>
Basic earnings (loss) per common share (Note 6)	<u>\$ 0.42</u>	<u>\$ (0.02)</u>	<u>\$ 1.20</u>	<u>\$ 0.40</u>
Diluted earnings (loss) per common share (Note 6)	<u>\$ 0.41</u>	<u>\$ (0.02)</u>	<u>\$ 1.16</u>	<u>\$ 0.38</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	December 31,	
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,157	\$ 1,342
Short-term investments, at fair value	<u>2,010</u>	<u>1,092</u>
Total cash, cash equivalents and short-term investments	3,167	2,434
Trade accounts receivable, net	746	629
Inventories	639	570
Deferred income taxes	47	44
Other current assets	<u>199</u>	<u>183</u>
Total current assets	4,798	3,860
Investments	2,522	1,729
Property, net	5,193	4,675
Goodwill and other intangible assets, net	316	338
Deferred income taxes	114	10
Other assets	<u>122</u>	<u>595</u>
Total Assets	<u>\$ 13,065</u>	<u>\$ 11,207</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 20	\$ 18
Accounts payable	631	690
Other accrued liabilities	<u>1,668</u>	<u>1,662</u>
Total current liabilities	2,319	2,370
Long-term debt	1,696	1,789
Postretirement benefits other than pensions	739	593
Other liabilities	<u>1,020</u>	<u>925</u>
Total liabilities	<u>5,774</u>	<u>5,677</u>
Commitments and contingencies		
Minority interests	45	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: 1,576 million and 1,552 million	791	776
Additional paid-in capital	12,008	11,548
Accumulated deficit	(4,992)	(6,847)
Treasury stock, at cost; Shares held: 18 million	(201)	(168)
Accumulated other comprehensive income	<u>(360)</u>	<u>178</u>
Total shareholders' equity	<u>7,246</u>	<u>5,487</u>
Total Liabilities and Shareholders' Equity	<u>\$ 13,065</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		Year ended	
	Dec. 31, 2006	Sept. 30, 2006	December 31, 2006	2005
Cash Flows from Operating Activities:				
Net income	\$ 646	\$ 438	\$ 1,855	\$ 585
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	150	140	580	499
Amortization of purchased intangibles	3	2	11	13
Restructuring, impairment and other charges and (credits)	41	2	54	(38)
Asbestos settlement	(139)	13	(2)	218
Stock compensation charges	32	33	127	29
Loss on repurchases and retirement of debt			11	16
Undistributed earnings of affiliated companies	(213)	(143)	(597)	(310)
Deferred taxes	(37)	3	(101)	425
Interest expense on convertible debentures				(23)
Restructuring payments	(6)	(3)	(15)	(25)
Decrease in restricted cash				22
Customer deposits, net of credits issued	(41)	12	45	428
Employee benefit payments less than expense	1	3	27	34
Changes in certain working capital items:				
Trade accounts receivable	14	(122)	(105)	(77)
Inventories	39	(11)	(65)	(62)
Other current assets		(5)	(10)	6
Accounts payable and other current liabilities, net of restructuring payments	125	14	(56)	113
Other, net	<u>13</u>	<u>35</u>	<u>44</u>	<u>86</u>
Net cash provided by operating activities	<u>628</u>	<u>411</u>	<u>1,803</u>	<u>1,939</u>
Cash Flows from Investing Activities:				
Capital expenditures	(290)	(338)	(1,182)	(1,553)
Acquisitions of businesses, net of cash received			(16)	
Net proceeds from sale or disposal of assets	1	3	12	18
Net increase in long-term investments and other long-term assets			(77)	
Short-term investments - acquisitions	(551)	(838)	(2,894)	(1,668)
Short-term investments - liquidations	373	383	1,976	1,452
Other, net				39
Net cash used in investing activities	<u>(467)</u>	<u>(790)</u>	<u>(2,181)</u>	<u>(1,712)</u>
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt		(7)	(14)	(451)
Proceeds from issuance of long-term debt, net		246	246	147
Repayments of long-term debt	(25)	(9)	(368)	(102)
Proceeds from issuance of common stock, net	6	5	26	365
Proceeds from the exercise of stock options	23	29	303	202
Other, net	<u>(1)</u>	<u>(4)</u>	<u>(13)</u>	<u>(14)</u>
Net cash provided by financing activities	<u>3</u>	<u>260</u>	<u>180</u>	<u>147</u>
Effect of exchange rates on cash	<u>14</u>		<u>13</u>	<u>(41)</u>
Net increase (decrease) in cash and cash equivalents	178	(119)	(185)	333
Cash and cash equivalents at beginning of period	<u>979</u>	<u>1,098</u>	<u>1,342</u>	<u>1,009</u>
Cash and cash equivalents at end of period	<u>\$ 1,157</u>	<u>\$ 979</u>	<u>\$ 1,157</u>	<u>\$ 1,342</u>

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 December 31, 2006						
Net sales	\$ 619	\$ 404	\$ 155	\$ 72	\$ 119	\$ 1,369
Depreciation (1)	\$ 77	\$ 36	\$ 21	\$ 5	\$ 8	\$ 147
Amortization of purchased intangibles		\$ 3				\$ 3
Research, development and engineering expenses (2)	\$ 30	\$ 24	\$ 30	\$ 12	\$ 11	\$ 107
Restructuring, impairment and other charges (before-tax and minority interest) (3)		\$ 42		\$ 1		\$ 43
Income tax (provision) benefit	\$ (45)	\$ 3	\$ 1	\$ 1	\$ 2	\$ (38)
Earnings (loss) before minority interest and equity earnings (4)	\$ 311	\$ (53)	\$ (8)	\$ (2)	\$ 10	\$ 258
Minority interests		(2)			(1)	(3)
Equity in earnings of affiliated companies (5)	150	1			31	182
Net income (loss)	<u>\$ 461</u>	<u>\$ (54)</u>	<u>\$ (8)</u>	<u>\$ (2)</u>	<u>\$ 40</u>	<u>\$ 437</u>
Three months ended December 31, 2005						
Net sales	\$ 518	\$ 383	\$ 142	\$ 63	\$ 94	\$ 1,200
Depreciation	\$ 52	\$ 42	\$ 17	\$ 5	\$ 9	\$ 125
Amortization of purchased intangibles		\$ 3				\$ 3
Research, development and engineering expenses (2)	\$ 33	\$ 19	\$ 27	\$ 12	\$ 8	\$ 99
Restructuring, impairment and other credits (before-tax and minority interest) (3)		\$ (84)				\$ (84)
Income tax provision	\$ (46)	\$ (2)				\$ (48)
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 237	\$ 76	\$ (7)	\$ (8)	\$ (2)	\$ 296
Minority interests		1				1
Equity in earnings (loss) of affiliated companies (5)	131	(1)			6	136
Net income (loss)	<u>\$ 368</u>	<u>\$ 75</u>	<u>\$ (7)</u>	<u>\$ (8)</u>	<u>\$ 4</u>	<u>\$ 432</u>
Year ended December 31, 2006						
Net sales	\$ 2,133	\$ 1,729	\$ 615	\$ 287	\$ 410	\$ 5,174
Depreciation (1)	\$ 276	\$ 157	\$ 80	\$ 20	\$ 37	\$ 570
Amortization of purchased intangibles		\$ 11				\$ 11
Research, development and engineering expenses (2)	\$ 126	\$ 82	\$ 121	\$ 49	\$ 36	\$ 414
Restructuring, impairment and other charges (before-tax and minority interest) (3)		\$ 44		\$ 6	\$ 6	\$ 56
Income tax (provision) benefit	\$ (117)	\$ (27)	\$ (5)	\$ 1	\$ (3)	\$ (151)
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 1,052	\$ 9	\$ 8	\$ (17)	\$ 12	\$ 1,064
Minority interests		(7)			(4)	(11)
Equity in earnings (loss) of affiliated companies (5)	565	5	(1)		39	608
Net income (loss)	<u>\$ 1,617</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ (17)</u>	<u>\$ 47</u>	<u>\$ 1,661</u>
Year ended December 31, 2005						
Net sales	\$ 1,742	\$ 1,623	\$ 580	\$ 282	\$ 352	\$ 4,579
Depreciation	\$ 185	\$ 180	\$ 70	\$ 20	\$ 35	\$ 490
Amortization of purchased intangibles		\$ 13				\$ 13
Research, development and engineering expenses (2)	\$ 107	\$ 76	\$ 102	\$ 40	\$ 28	\$ 353
Restructuring, impairment and other net credits (before-tax and minority interest) (3)		\$ (47)			\$ (16)	\$ (63)
Income tax provision	\$ (122)	\$ (15)	\$ (5)	\$ (2)	\$ (3)	\$ (147)
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 823	\$ 61	\$ 15	\$ (4)	\$ 19	\$ 914
Minority interests		2			(9)	(7)
Equity in earnings (loss) of affiliated companies (5)	416	5			(76)	345
Net income (loss)	<u>\$ 1,239</u>	<u>\$ 68</u>	<u>\$ 15</u>	<u>\$ (4)</u>	<u>\$ (66)</u>	<u>\$ 1,252</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 months and year ended December 31, 2006, restructuring, impairment and other charges and (credits) includes a charge of \$44 million for certain assets in our Telecommunications segment. In the three months and year ended December 31, 2005, restructuring, impairment and other charges and (credits) includes a gain of \$84 million for the reversal of the cumulative translation account of a wholly-owned subsidiary that was substantially liquidated. Amounts for the year ended December 31, 2005, also include 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 months and year ended December 31, 2006, equity in earnings (loss) of affiliated companies includes gains of \$28 million and \$7 million, respectively, in All Other related to impairments and other charges and credits for Samsung Corning. In the three months and year ended December 31, 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 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):

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Net income of reportable segments	\$ 437	\$ 432	\$ 1,661	\$1,252
Unallocated amounts:				
Net financing costs (1)	6	(15)	1	(93)
Stock-based compensation expense	(32)	(10)	(127)	(37)
Exploratory research	(27)	(22)	(89)	(77)
Corporate contributions	(6)	(6)	(30)	(24)
Equity in earnings of affiliated companies, net of impairments (2)	90	53	352	266
Asbestos settlement (3)	139	(14)	2	(218)
Other corporate items (4)	39	(451)	85	(484)
Net income (loss)	\$ 646	\$ (33)	\$ 1,855	\$ 585

- (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 year ended December 31, 2006, a \$33 million gain representing our share of a tax settlement relating to an IRS examination at Dow Corning.
 - In the year ended December 31, 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 fourth quarter of 2006 and 2005, Corning recorded a credit of \$139 million and a charge of \$14 million, respectively, to reflect changes in the estimated fair value of the components of the settlement offer. In the twelve months ended December 31, 2006, and 2005, Corning recorded a credit of \$2 million and a charge of \$218 million, respectively, to reflect the changes in the estimated fair value of the 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 three and twelve months ended December 31, 2006, tax benefits of \$35 million and \$83 million, respectively, from the release of valuation allowances for certain foreign locations.
 - In the three and twelve months ended December 31, 2005, a net \$443 million charge to tax expense which was primarily to increase the valuation allowance against deferred tax assets resulting from our conclusion that the sale of an appreciated asset no longer met the criteria for a viable tax planning strategy.
 - In the twelve months ended December 31, 2005, an impairment charge of \$25 million for the other-than-temporary decline in our investment in Avonex below its cost basis and a loss of \$16 million associated with redemption or retirement of debt.

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

1. Restructuring, Impairment, and Other Charges (Credits)

In the fourth quarter of 2006, Corning recorded a \$44 million asset impairment charge for certain long-lived assets in our Telecommunications segment.

2. 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 fourth quarter of 2006, Corning recorded a gain of \$139 million (pretax and after-tax) including a mark-to-market gain of \$143 million reflecting the decrease in Corning's common stock from September 30, 2006 to December 31, 2006 and a \$4 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 \$816 million to reflect the estimated fair value of our asbestos liability.

3. Provision for Income Taxes

In the fourth quarter of 2006, Corning recorded a \$35 million tax benefit from the release of a valuation allowance on German trade taxes due to sustained profitability of the Company's German entities.

4. Equity in Earnings of Affiliated Companies

In the fourth quarter of 2006, equity in earnings of affiliated companies includes the following items associated with Samsung Corning: an impairment charge for certain long-lived assets; the establishment of a valuation allowance against certain deferred tax assets; and a gain on the sale of land. These items increased Corning's equity earnings by \$28 million (net) in the fourth quarter of 2006.

5. Adoption of SFAS 158

Corning adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158) on December 31, 2006. SFAS 158 requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its balance sheet and to recognize changes in that funded status in comprehensive income in the year in which the changes occur. The impact of adopting SFAS 158 resulted in a reduction to stockholders' equity of \$669 million after tax. Dow Corning's adoption of this standard resulted in a reduction to our investment in Dow Corning and a decrease to stockholders' equity of \$94 million after tax.

6. Weighted Average Shares Outstanding

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

	Three months ended		Year ended	
	December 31,		December 31,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Basic	1,557	1,524	1,550	1,464
Diluted	1,596	1,524	1,594	1,535
Diluted used for non-GAAP measures	1,596	1,571	1,594	1,539

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

	2006				
	<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	<u>192</u>	<u>238</u>	<u>215</u>	<u>207</u>	<u>852</u>
	397	472	456	404	1,729
Environmental Technologies					
Automotive	121	113	112	105	451
Diesel	<u>34</u>	<u>39</u>	<u>41</u>	<u>50</u>	<u>164</u>
	155	152	153	155	615
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>
	2005				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
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 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.

	<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	\$ 0.31	\$ 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)	<u>0.02</u>	<u> </u>		<u>28</u>
Total EPS and net income	<u>\$ 0.41</u>	<u>\$ 377</u>		<u>\$ 646</u>

- (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 the 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 Corning's share of the following items associated with Samsung Corning: an impairment charge for certain long-lived assets; the impact of establishing a valuation allowance against certain deferred tax assets; and a gain on the sale of land. These items increased Corning's equity earnings by \$28 million (net) in the fourth quarter of 2006.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Year 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 year ended 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 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</u>
			<u>Income (Loss)</u>
Earnings per share (EPS) and net income, excluding special items	\$ 1.12	\$ 1,014	\$ 1,785
<i>Special items:</i>			
Restructuring, impairment, and other (charges) and credits (a)	(0.03)	(44)	(44)
Asbestos settlement (b)		2	2
Loss on repurchases of debt, net	(0.01)	(11)	(11)
Provision for income taxes (c)	0.05		83
Equity in earnings of affiliated companies (d)	<u>0.03</u>	<u> </u>	<u>40</u>
Total EPS and net income	<u>\$ 1.16</u>	<u>\$ 961</u>	<u>\$ 1,855</u>

- (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. For 2006, Corning recorded a credit of \$2 million (before- and after-tax) including a credit of \$24 million for the change in Corning's common stock price of \$18.71 at December 31, 2006, compared to \$19.66 at December 31, 2005 and a \$22 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (c) Amount reflects a \$73 million tax benefit from the release of our valuation allowance on certain deferred tax assets in Germany and a \$10 million tax benefit from the release of our valuation allowance on Australian tax benefits.
- (d) Amount reflects the following items which increased Corning's equity earnings by \$40 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
Year Ended December 31, 2005

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

Corning's net income and earnings per share (EPS) excluding special items for the year ended December 31, 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 (Loss) Before Income Taxes</u>	<u>Net</u>	<u>Income (Loss)</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.86	\$ 755		\$ 1,323
<i>Special items:</i>				
Restructuring, impairment, and other (charges) and credits (a)	0.02	38		34
Asbestos settlement (b)	(0.14)	(218)		(218)
Loss on repurchases and retirement of debt, net (c)	(0.01)	(16)		(16)
(Provision) benefit for income taxes (d)	(0.29)			(443)
Equity in earnings of affiliated companies, net of impairments (e)	<u>(0.06)</u>	<u> </u>		<u>(95)</u>
Total EPS and net income	<u>\$ 0.38</u>	<u>\$ 559</u>		<u>\$ 585</u>

- (a) Amount reflects the following items: a gain of \$84 million (before- and after-tax) for the reversal of the cumulative translation account of a wholly-owned foreign subsidiary that was substantially liquidated; an impairment charge of \$25 million (before- and after-tax) for the other-than-temporary decline in our investment in Avanex below its cost basis; and net charges of \$38 million (\$34 million after-tax and minority interest) for restructuring costs primarily associated with the 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. For 2005, Corning recorded a charge of \$218 million (before- and after-tax) including \$197 million for the change in Corning's common stock price of \$19.66 at December 31, 2005, compared to \$11.77 at December 31, 2004, and a \$21 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (c) Corning recorded a loss of \$16 million (before- and after-tax) associated with the cash redemption of \$377 million principal amount of debentures.
- (d) Amount reflects a net \$443 million charge to tax expense in 2005 which was primarily to increase the valuation allowance against deferred tax assets resulting from our conclusion that the sale of an appreciated asset no longer met the criteria for a viable tax planning strategy.
- (e) Amount is primarily the result of Corning's \$106 million share of an impairment charge taken by Samsung Corning Co., Ltd., a South Korea-based manufacturer of glass panels and funnels for cathode ray tube television and display monitors, for certain of its manufacturing assets and severance and exit costs.

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

Corning's comment, "This was fourth consecutive year that we recorded significant improvement in the company's profitability..." 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 non-GAAP improvement in net income 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.

	Net Income					Improvement			
	For the years ended December 31,					2006	2005	2004	2003
	2006	2005	2004	2003	2002	vs. 2005	vs. 2004	vs. 2003	vs. 2002
Net income, excluding special items	\$ 1,785	\$ 1,323	\$ 692	\$ 140	\$ (392)	<u>\$462</u>	<u>\$631</u>	<u>\$552</u>	<u>\$532</u>
<i>Special items:</i>									
Restructuring, impairment, and other (charges) and credits (a)	(44)	34	(1,802)	(26)	(1,462)				
Asbestos settlement (b)	2	(218)	(59)	(332)					
(Loss) gain on repurchases and retirement of debt, net (c)	(11)	(16)	(34)	12	108				
(Provision) benefit for income taxes (d)	83	(443)	(992)						
Equity in earnings of affiliated companies, net of impairments (e)	40	(95)	(56)	(74)	(34)				
Income from discontinued operations (f)	_____	_____	20	_____	478				
Net income (loss)	<u>\$ 1,855</u>	<u>\$ 585</u>	<u>\$ (2,231)</u>	<u>\$ (280)</u>	<u>\$ (1,302)</u>				

2006 Special Items:

- (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. For 2006, Corning recorded a credit of \$2 million (before- and after-tax) including a credit of \$24 million for the change in Corning's common stock price of \$18.71 at December 31, 2006, compared to \$19.66 at December 31, 2005 and a \$22 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (d) Amount reflects a \$73 million tax benefit from the release of our valuation allowance on certain deferred tax assets in Germany and a \$10 million tax benefit from the release of our valuation allowance on Australian tax benefits.
- (e) Amount reflects the following items which increased Corning's equity earnings by \$40 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.

2005 Special Items:

- (a) Amount reflects the following items: a gain of \$84 million (before- and after-tax) for the reversal of the cumulative translation account of a wholly-owned foreign subsidiary that was substantially liquidated; an impairment charge of \$25 million (before- and after-tax) for the other-than-temporary decline in our investment in Avanex below its cost basis; and net charges of \$38 million (\$34 million after-tax and minority interest) for restructuring costs primarily associated with the 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. For 2005, Corning recorded a charge of \$218 million (before- and after-tax) including \$197 million for the change in Corning's common stock price of \$19.66 at December 31, 2005, compared to \$11.77 at December 31, 2004, and a \$21 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (c) Corning recorded a loss of \$16 million (before- and after-tax) associated with the cash redemption of \$377 million principal amount of debentures.
- (d) Amount reflects a net \$443 million charge to tax expense in 2005 which was primarily to increase the valuation allowance against deferred tax assets resulting from our conclusion that the sale of an appreciated asset no longer met the criteria for a viable tax planning strategy.
- (e) Amount is primarily the result of Corning's \$106 million share of an impairment charge taken by Samsung Corning Co., Ltd., a South Korea-based manufacturer of glass panels and funnels for cathode ray tube television and display monitors, for certain of its manufacturing assets and severance and exit costs.

2004 Special Items:

- (a) Corning recorded charges \$1.789 billion (\$1.802 billion after-tax and minority interest) primarily related to the impairment of goodwill and fixed assets in the 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. For 2004, Corning recorded a charge of \$65 million (\$59 million after-tax) including \$33 million (\$30 million after-tax) for the change in Corning's common stock price of \$11.77 at December 31, 2004, compared to \$10.43 at December 31, 2003, and a \$32 million (\$29 million after-tax) charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (c) During 2004, Corning retired a significant portion of long-term debt, resulting in a loss of \$36 million (\$34 million after-tax).
- (d) In the third quarter of 2004, Corning increased income tax expense by \$992 million as a result of the company's decision to provide a valuation allowance against a significant portion of its deferred tax assets.
- (e) This amount reflects charges of \$35 million for impairments of certain non-strategic equity method investments in Corning's Telecommunications segment and \$21 million related to restructuring actions and bankruptcy related charges recorded by Dow Corning Corporation.
- (f) This gain relates to the final settlement of escrowed proceeds from the 2002 sale of Corning's precision lens business to 3M Company.

2003 Special Items:

- (a) Corning recorded net charges of \$111 million (\$26 million after-tax) for our decision to shutdown Corning Asahi Video Products Company, exit the photonics technologies business within our Telecommunications segment, and shutdown two of our Specialty Materials manufacturing facilities. The charges for these actions were partially offset by credits to prior periods' restructuring plans, most notably for our decision not to exit two cabling sites previously marked for shutdown in 2002.
- (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. For 2003, this charge includes the initial liability based on the terms of the settlement agreement (\$298 million or \$190 million after-tax) plus a charge of \$115 million pre-tax (\$73 million after-tax) for the change in Corning's common stock price of \$10.43 at December 31, 2003, compared to \$5.84 at the settlement arrangement date, and a \$122 million pre-tax (\$69 million after-tax) charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability from the settlement arrangement date.
- (c) During 2003, Corning retired a significant portion of long-term debt, resulting in a gain of \$19 million (\$12 million after-tax).
- (e) This amount primarily reflects our portion of asset impairment charges recorded by our equity method investment, Samsung Corning Co., Ltd.

2002 Special Items:

- (a) Corning recorded total net charges of \$2.08 billion (\$1.462 billion after-tax and minority interest) related to the following significant actions: restructuring charges of \$1.271 billion (\$929 million after-tax and minority interest) for the closure of facilities, workforce reductions and abandonment of certain construction projects, mostly in our Telecommunications segment; \$400 million (\$294 million after-tax) for the impairment of goodwill in our Telecommunications segment; and \$409 million (\$239 million after-tax) for the impairment of assets of our photonic technologies and conventional video components businesses.
- (c) During 2002, Corning retired a significant portion of long-term debt resulting in a gain of \$176 million (\$108 million after-tax).
- (e) This amount reflects charges for impairments of certain equity method investments in Corning's Telecommunications segment.
- (f) On December 13, 2002, Corning completed the sale of our precision lens business to 3M Company for approximately \$800 million in cash and recorded a gain on the sale of \$652 million (\$415 million after-tax) included in income from discontinued operations. The remaining \$63 million, net of tax, of income from discontinued operations represents the 2002 operating results of the precision lens business prior to the sale to 3M Company.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Year Ended December 31, 2006 - Impact of Adoption of Statement of Financial Accounting Standards
No. 123 (revised 2004), Share-Based Payment (SFAS 123R)
(Unaudited; amounts in millions, except per share amounts)

Corning's stock compensation expense resulting from the adoption of SFAS 123R 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 this non-GAAP measure 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.

	<u>Expense</u>	<u>Per Share</u>
Stock compensation expense resulting from the adoption of SFAS 123R	\$ 81	\$ 0.05
Other stock compensation, the measurement of which was not impacted by the adoption of SFAS 123R	<u>46</u>	N/A
Total stock compensation	<u>\$ 127</u>	N/A

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 also improved profitability, before special items, for a second consecutive year." 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 a non-GAAP improvement in net income 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.

	Telecommunications Segment Net Income			Improvement	
	For the years ended December 31,			2006	2005
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>vs. 2005</u>	<u>vs. 2004</u>
Net income (loss), excluding special items	\$ 51	\$ 21	\$ (39)	<u>\$30</u>	<u>\$60</u>
<i>Special items:</i>					
Restructuring, impairment, and other (charges) and credits (a)	(44)	47	(1,800)		
Equity in earnings of affiliated companies, net of impairments (b)	—	—	(35)		
Telecommunications segment net income (loss)	<u>\$ 7</u>	<u>\$ 68</u>	<u>\$ (1,874)</u>		

2006 Special Items:

(a) Amount represents a \$44 million asset impairment charge for certain long-lived assets in our Telecommunications segment.

2005 Special Items:

(a) Amount reflects the following items: a gain of \$84 million (before- and after-tax) for the reversal of the cumulative translation account of a wholly-owned foreign subsidiary that was substantially liquidated and net charges of \$37 million (pretax and after-tax and minority interest) for restructuring costs associated with the Telecommunications segment.

2004 Special Items:

(a) Corning recorded charges \$1.798 billion (\$1.800 billion after-tax and minority interest) related to the impairment of goodwill and fixed assets in the Telecommunications segment.

(b) This amount reflects charges of \$35 million for impairments of certain non-strategic equity method investments in Corning's Telecommunications segment.

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

Corning's free cash flow financial measure for the three months and year ended December 31, 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>December 31, 2006</u>	Year ended <u>December 31, 2006</u>
Cash flows from operating activities	\$ 628	\$ 1,803
Less: Cash flows from investing activities	(467)	(2,181)
Plus: Short-term investments - acquisitions	551	2,894
Less: Short-term investments - liquidations	<u>(373)</u>	<u>(1,976)</u>
Free cash flow	<u>\$ 339</u>	<u>\$ 540</u>

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 earnings per share (EPS) excluding special items for the first 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	\$0.24	\$0.27
<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 first quarter of 2007, Corning will record a charge or credit for the change in its common stock price as of March 31, 2007 compared to \$18.71, the common stock price at December 31, 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 first 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.