

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	Three months ended March 31,	
	2008	2007
Net sales	\$ 1,617	\$ 1,307
Cost of sales	773	716
Gross margin	844	591
Operating expenses:		
Selling, general and administrative expenses	242	214
Research, development and engineering expenses	151	130
Amortization of purchased intangibles	2	3
Restructuring, impairment and other credits	(1)	
Asbestos settlement (credit) charge (Note 1)	(327)	110
Operating income	777	134
Interest income	30	37
Interest expense	(18)	(21)
Loss on repurchase of debt		(15)
Other income, net	1	32
Income before income taxes	790	167
Provision for income taxes	(66)	(56)
Income before minority interests and equity earnings	724	111
Minority interests	1	
Equity in earnings of affiliated companies, net of impairments	304	216
Net income	\$ 1,029	\$ 327
Basic earnings per common share (Note 2)	\$ 0.66	\$ 0.21
Diluted earnings per common share (Note 2)	\$ 0.64	\$ 0.20
Dividends declared per common share	\$ 0.05	

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	<u>March 31,</u> 2008	<u>December 31,</u> 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,124	\$ 2,216
Short-term investments, at fair value	1,185	1,300
Total cash, cash equivalents and short-term investments	<u>3,309</u>	<u>3,516</u>
Trade accounts receivable, net	988	856
Inventories	692	631
Deferred income taxes	47	54
Other current assets	<u>303</u>	<u>237</u>
Total current assets	5,339	5,294
Investments	3,098	3,036
Property, net of accumulated depreciation	6,837	5,986
Goodwill and other intangible assets, net	306	308
Deferred income taxes	229	202
Other assets	<u>454</u>	<u>389</u>
Total Assets	<u>\$ 16,263</u>	<u>\$ 15,215</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 78	\$ 23
Accounts payable	701	609
Other accrued liabilities	<u>1,083</u>	<u>1,880</u>
Total current liabilities	1,862	2,512
Long-term debt	1,503	1,514
Postretirement benefits other than pensions	743	744
Other liabilities	<u>1,368</u>	<u>903</u>
Total liabilities	<u>5,476</u>	<u>5,673</u>
Commitments and contingencies		
Minority interests	47	46
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,602 million and 1,598 million	801	799
Additional paid-in capital	12,349	12,281
Accumulated deficit	(2,053)	(3,002)
Treasury stock, at cost; Shares held: 34 million and 30 million	(588)	(492)
Accumulated other comprehensive income (loss)	<u>231</u>	<u>(90)</u>
Total shareholders' equity	<u>10,740</u>	<u>9,496</u>
Total Liabilities and Shareholders' Equity	<u>\$ 16,263</u>	<u>\$ 15,215</u>

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,	
	2008	2007
Cash Flows from Operating Activities:		
Net income	\$ 1,029	\$ 327
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	157	150
Amortization of purchased intangibles	2	3
Asbestos settlement (credit) charge	(327)	110
Restructuring, impairment and other credits	(1)	
Loss on repurchases of debt		15
Stock compensation charges	41	36
Undistributed earnings of affiliated companies	(153)	(67)
Deferred tax benefit	(2)	
Restructuring payments	(7)	(11)
Customer deposits, net of (credits) issued	(66)	(33)
Employee benefit payments in excess of expense	(48)	(92)
Changes in certain working capital items:		
Trade accounts receivable	(50)	(28)
Inventories	(32)	(42)
Other current assets	(21)	(57)
Accounts payable and other current liabilities, net of restructuring payments	(232)	(130)
Other, net	5	12
Net cash provided by operating activities	295	193
Cash Flows from Investing Activities:		
Capital expenditures	(467)	(262)
Short-term investments – acquisitions	(724)	(553)
Short-term investments – liquidations	816	798
Net cash used in investing activities	(375)	(17)
Cash Flows from Financing Activities:		
Net repayments of short-term borrowings and current portion of long-term debt	(9)	(8)
Retirements of long-term debt		(238)
Proceeds from issuance of common stock, net	4	4
Proceeds from the exercise of stock options	18	22
Repurchase of common stock	(62)	
Dividends paid	(78)	
Other, net	(2)	
Net cash used in financing activities	(129)	(220)
Effect of exchange rates on cash	117	10
Net decrease in cash and cash equivalents	(92)	(34)
Cash and cash equivalents at beginning of period	2,216	1,157
Cash and cash equivalents at end of period	\$ 2,124	\$ 1,123

Certain amounts for 2007 were reclassified to conform to 2008 classifications.

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

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

	Display Technologies	Telecom- munications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Three months ended March 31, 2008							
Net sales	\$ 829	\$ 421	\$ 197	\$ 83	\$ 81	\$ 6	\$ 1,617
Depreciation (1)	\$ 90	\$ 27	\$ 24	\$ 8	\$ 4	\$ 3	\$ 156
Amortization of purchased intangibles		\$ 2					\$ 2
Research, development and engineering expenses (2)	\$ 24	\$ 24	\$ 33	\$ 9	\$ 2	\$ 36	\$ 128
Restructuring, impairment and other credits (before related tax benefits and minority interest)		\$ (1)					\$ (1)
Income tax (provision) benefit	\$ (57)	\$ (5)	\$ (5)		\$ (5)	\$ 2	\$ (70)
Earnings (loss) before minority interest and equity earnings (3)	\$ 476	\$ 10	\$ 12	\$ (4)	\$ 10	\$ (45)	\$ 459
Minority interest		\$ 1					\$ 1
Equity in earnings of affiliated companies	\$ 203		\$ 1			\$ 18	\$ 222
Net income (loss)	<u>\$ 679</u>	<u>\$ 11</u>	<u>\$ 13</u>	<u>\$ (4)</u>	<u>\$ 10</u>	<u>\$ (27)</u>	<u>\$ 682</u>
Three months ended March 31, 2007							
Net sales	\$ 524	\$ 439	\$ 179	\$ 84	\$ 76	\$ 5	\$ 1,307
Depreciation (1)	\$ 81	\$ 33	\$ 21	\$ 8	\$ 4	\$ 1	\$ 148
Amortization of purchased intangibles		\$ 3					\$ 3
Research, development and engineering expenses (2)	\$ 22	\$ 19	\$ 30	\$ 9	\$ 2	\$ 26	\$ 108
Income tax (provision) benefit	\$ (42)	\$ (11)	\$ (3)		\$ (4)	\$ 2	\$ (58)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 273	\$ 31	\$ 10		\$ 10	\$ (32)	\$ 292
Equity in earnings of affiliated companies	\$ 113	\$ 1				\$ 9	\$ 123
Net income (loss)	<u>\$ 386</u>	<u>\$ 32</u>	<u>\$ 10</u>	<u>0</u>	<u>\$ 10</u>	<u>\$ (23)</u>	<u>\$ 415</u>

(1) Depreciation expense for Corning's reportable segments 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.

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

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

	Three months ended March 31,	
	2008	2007
Net income of reportable segments	\$ 709	\$ 438
Non-reportable segments	(27)	(23)
Unallocated amounts:		
Net financing costs (1)	9	8
Stock-based compensation expense	(41)	(36)
Exploratory research	(18)	(17)
Corporate contributions	(11)	(14)
Equity in earnings of affiliated companies, net of impairments (2)	82	93
Asbestos settlement charge (credit) (3)	327	(110)
Other corporate items (4)	(1)	(12)
Net income	<u>\$ 1,029</u>	<u>\$ 327</u>

- (1) Net financing costs include interest income, interest expense, and interest costs and investment gains associated with benefit plans.
- (2) Represents the equity earnings of Dow Corning Corporation.
- (3) In the first quarter of 2008, Corning reduced its liability for asbestos litigation as a result of the increase in the likelihood of a settlement under recently proposed terms and a corresponding decrease in the likelihood of a settlement under terms established in 2003.
- (4) Other corporate items include the tax impact of the unallocated amounts. In addition, the first quarter 2007 included a loss of \$15 million from the repurchase of \$223 million principal amount of our 6.25% Euro notes due 2010.

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 2003 Plan). On December 21, 2006, the Bankruptcy Court issued an order denying confirmation of the 2003 Plan. On January 10, 2008, some of the parties in the proceeding advised the Bankruptcy Court that they had made substantial progress on an amended plan of reorganization (the Amended PCC Plan) that resolved issues raised by the Court in denying the confirmation of the 2003 Plan.

As a result of progress in the parties' continuing negotiations, Corning believes the Amended PCC Plan now represents the most probable outcome of this matter and the probability that the 2003 plan will become effective has diminished. The proposed settlement under the Amended PCC Plan requires Corning to contribute its equity interest in PCC and Pittsburgh Corning Europe, N.V. (PCE) and to contribute a fixed series of cash payments, recorded at present value on March 31, 2008. Corning will have the option to contribute shares rather than cash, but the liability is fixed by dollar value and not number of shares. As a result, the estimated asbestos settlement liability will no longer be impacted by movements in the value of Corning common stock. The Amended PCC Plan does not include non-PCC asbestos claims that may be or have been raised against Corning. Corning has recorded an additional amount for such claims in its estimated asbestos settlement liability.

Accordingly, in the first quarter of 2008, Corning recorded an asbestos settlement credit of \$327 million to adjust the asbestos settlement liability from \$1 billion to \$675 million, including the components of the Amended PCC Plan and the estimated liability for non-PCC asbestos claims.

2. Weighted Average Shares Outstanding

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

	Three months ended March 31,		Three months ended December 31,
	2008	2007	2007
Basic	1,566	1,563	1,567
Diluted	1,598	1,600	1,602
Diluted used for non-GAAP measures	1,598	1,600	1,602

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
QUARTERLY SALES INFORMATION

(Unaudited; in millions)

	<u>2008</u>	<u>2007</u>				<u>Total</u>
	<u>Q1</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	
Display Technologies	\$ 829	\$ 524	\$ 610	\$ 705	\$ 774	\$ 2,613
Telecommunications						
Fiber and cable	214	211	219	237	213	880
Hardware and equipment	207	228	219	235	217	899
	<u>421</u>	<u>439</u>	<u>438</u>	<u>472</u>	<u>430</u>	1,779
Environmental Technologies						
Automotive	137	123	128	126	131	508
Diesel	60	56	63	72	58	249
	<u>197</u>	<u>179</u>	<u>191</u>	<u>198</u>	<u>189</u>	757
Specialty Materials	83	84	95	95	105	379
Life Sciences	81	76	78	78	73	305
Other	<u>6</u>	<u>5</u>	<u>6</u>	<u>5</u>	<u>11</u>	<u>27</u>
Total	<u>\$ 1,617</u>	<u>\$ 1,307</u>	<u>\$ 1,418</u>	<u>\$ 1,553</u>	<u>\$ 1,582</u>	<u>\$ 5,860</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, 2008
(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 2008 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	<u>Per Share</u>	<u>Income Before Income Taxes</u>	<u>Net Income</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.44	\$ 463	\$ 702
<i>Special items:</i>			
Asbestos settlement (a)	<u>0.20</u>	<u>327</u>	<u>327</u>
Total EPS and net income	<u>\$ 0.64</u>	<u>\$ 790</u>	<u>\$ 1,029</u>

(a) In the first quarter of 2008, Corning recorded an asbestos settlement credit of \$327 million to adjust the asbestos liability from \$1 billion to \$675 million, including the components of the Amended PCC Plan and the estimated liability for non-PCC asbestos claims.

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

Three Months Ended December 31, 2007

(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 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	\$ 0.40	\$ 466	\$ 643
<i>Special items:</i>			
Asbestos settlement (a)	(0.01)	(15)	(15)
Provision for income taxes (b)	0.07		103
Equity in earnings of affiliated companies (c)	<u>(0.01)</u>	<u> </u>	<u>(14)</u>
Total EPS and net income	<u>\$ 0.45</u>	<u>\$ 451</u>	<u>\$ 717</u>

- (a) Between 2003 and 2007, any changes in the estimated fair value of the components of the proposed settlement agreement were recognized in Corning's quarterly results. During that time, the components of the proposed asbestos settlement included 25 million shares of Corning common stock and certain other items. In the fourth quarter of 2007, Corning recorded a charge of \$15 million (before- and after-tax) including a credit of \$17 million for the change in Corning's common stock price of \$23.99 at December 31, 2007, compared to \$24.65 at September 30, 2007 and a \$32 million charge for the change in the estimated fair value of certain other components of the proposed asbestos settlement liability.
- (b) Amount reflects a \$103 million tax benefit from the release of our valuation allowance on certain deferred tax assets in Germany.
- (c) Amount reflects Corning's share of the following items associated with Samsung Corning: an impairment charge for certain long-lived assets; dividend withholding tax; and a gain on metal and scrap sales. These items decreased Corning's equity earnings by \$14 million (net) in the fourth quarter of 2007.

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) Between 2003 and 2007, changes in the estimated fair value of the components of the proposed settlement agreement were recognized in Corning's quarterly results. During that time, the components of the proposed asbestos settlement included 25 million shares of Corning common stock and certain other items. 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
Telecommunications Segment
(Unaudited; amounts in millions)

Corning's comment, "Excluding the impact of last year's divestiture of Corning's submarine cabling business, quarter one sales increased 3% versus last year." 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		% Change
	Three months ended		
	March 31, 2008	March 31, 2007	
Telecommunications segment sales excluding sales from the Company's European submarine cabling business	\$ 421	\$ 409	3%
Sales of the European submarine cabling business	0	30	
Telecommunications segment sales	<u>\$ 421</u>	<u>\$ 439</u>	<u>(4%)</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended March 31, 2008 and December 31, 2007
(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months ended March 31, 2008 and December 31, 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 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, 2008</u>	<u>Three months ended December 31, 2007</u>
Cash flows from operating activities	\$ 295	\$ 732
Less: Cash flows from investing activities	(375)	(235)
Plus: Short-term investments – acquisitions	724	570
Less: Short-term investments – liquidations	<u>(816)</u>	<u>(721)</u>
Free cash flow	<u>\$ (172)</u>	<u>\$ 346</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended June 30, 2008

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

Corning's earnings per share (EPS) excluding special items for the second quarter of 2008 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	\$ 0.47	\$ 0.50
Special items (a)		
Earnings per share		

This schedule will be updated as additional announcements occur.

(a) From time to time, Corning may record special items which could result in a gain or loss during the quarter.

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 2008 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.