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CORNING INC /NY
Form 8-K
October 24, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report: (Date of earliest event reported) October 24, 2006

CORNING INCORPORATED
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation)	1-3247 (Commission File Number)	16-0393470 (I.R.S. Employer Identification No.)
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One Riverfront Plaza, Corning, New York (Address of principal executive offices)	14831 (Zip Code)
---	---------------------

(607) 974-9000
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02. Results of Operations and Financial Condition

The Corning Incorporated press release dated October 24, 2006 regarding its financial results for the third quarter ended September 30, 2006 and its fourth quarter 2006 earnings guidance is attached hereto as Exhibit 99.

The information in this report, being furnished pursuant to Item 2.02 of Form 8-K, shall not be deemed to be "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, and is not incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibit

99 Press Release dated October 24, 2006, issued by Corning Incorporated.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORNING INCORPORATED
Registrant

Date: October 24, 2006

By /s/ KATHERINE A. ASBECK

Katherine A. Asbeck
Senior Vice President - Finance

Exhibit 99

FOR RELEASE -- October 24, 2006

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Corning Announces Third-Quarter Results

LCD volume strong

CORNING, N.Y. -- Corning Incorporated (NYSE: GLW) today announced third-quarter sales of \$1.28 billion and net income of \$438 million, or \$0.27 per share.

Corning's third-quarter results include a charge of \$13 million, or \$0.01 per share, primarily reflecting the increase in market value of Corning common stock to be contributed to settle the asbestos litigation related to Pittsburgh Corning Corporation. Excluding this charge, Corning's third-quarter net income would have been \$451 million, or \$0.28 per share. These are non-GAAP financial measures. These and all non-GAAP financial measures are reconciled on the company's investor relations Web site and in attachments to this news release.

"This was an excellent quarter for Corning," Wendell P. Weeks, president and chief executive officer, said. "At the beginning of the third quarter, we were uncertain about the pace of the recovery from the excess panel inventory correction in the liquid crystal display (LCD) supply chain. We were pleased that glass demand improved each month throughout the quarter as our customers geared up to meet the anticipated fourth-quarter demand for LCD televisions, notebook computers and desktop monitors," he said.

Third-Quarter Operating Results

Corning's third-quarter sales of \$1.28 billion increased slightly over second-quarter sales of \$1.26 billion and by 8 percent over last year's third-quarter sales of \$1.19 billion. Gross margin for the third quarter remained strong at 44 percent.

Equity earnings for the third quarter were \$232 million compared to second-quarter equity earnings of \$256 million, which included a \$33 million tax gain at Dow Corning Corporation. Dow Corning's third-quarter equity earnings were \$78 million.

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Third-quarter sales for Corning's Display Technologies segment were \$506 million, a 3 percent increase over 2005 third-quarter sales of \$489 million. Year-over-year LCD glass volume increased 31 percent in the third quarter, largely offset by price declines and the impact of foreign exchange rates. Sequentially, third-quarter sales increased 10 percent from second-quarter sales of \$461 million as volume increases of 16 percent were offset somewhat by price declines and the impact of foreign exchange rates.

Samsung Corning Precision Glass Co., Ltd.'s (SCP) third-quarter volume increased 38 percent year-over-year and 11 percent sequentially. Equity earnings from SCP were \$135 million, up 18 percent over last year and up about 2 percent compared with the second quarter.

Total LCD glass volume, including both Corning's wholly owned business and SCP,

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increased 35 percent year-over-year and 13 percent sequentially.

Telecommunications segment sales for the third quarter were \$456 million, declining 3 percent from the previous quarter but in line with expectations. The decline was primarily due to lower volume of fiber-to-the-premises (FTTP) products and price declines.

The company's Environmental Technologies segment had sales of \$153 million compared to second-quarter sales of \$152 million, reflecting relatively flat sales of both automotive and diesel products. In early October, Corning announced its first long-term diesel emissions-control products supply agreement with Cummins Emissions Solutions, a business unit of Cummins Inc. Sales in Corning's Life Sciences segment declined sequentially primarily due to a softer market in North America and Europe.

Cash Flow/Liquidity Update

Corning ended the third quarter with \$2.8 billion in cash and short-term investments, an increase from \$2.5 billion in the previous quarter. The increase in cash and short-term investments is primarily due to the issuance of \$250 million of long-term debt to replace debt repurchased in the second quarter. "Maintaining significant cash is important to Corning's long-term financial health and to enable us to invest in new business opportunities that emerge from our research laboratories," James B. Flaws, vice chairman and chief financial officer, said.

In the third quarter, Corning had positive free cash flow of \$76 million and remains on track to be free cash flow positive for the year. Free cash flow is a non-GAAP financial measure.

Fourth-Quarter Outlook

Corning expects fourth-quarter sales to be in the range of \$1.28 billion to \$1.33 billion and EPS in the range of \$0.26 to \$0.29, before special items. This EPS estimate is a non-GAAP financial measure and excludes any special items.

(more)

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Gross margin for the fourth quarter is expected to be in the range of 44 percent to 46 percent and selling, general and administrative expenses are expected to be in the range of 17 percent to 18 percent of sales. The fourth-quarter tax rate is expected to be in the range of 13 percent to 15 percent.

In its Display Technologies segment, Corning expects that fourth-quarter sequential volume growth for its wholly owned business will be in the range of 20 percent to 30 percent as the strong demand experienced at the end of the third quarter continues into the fourth quarter. Samsung Corning Precision's fourth-quarter volume is expected to increase sequentially between 8 percent and 12 percent. Corning expects that fourth-quarter price declines will be consistent with the third quarter.

"We are expecting our display segment to perform well in the fourth quarter," Flaws said. "We anticipate that LCD TV sales will exceed 20 percent of the

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global television market this year," he said.

Corning's LCD glass volume for the first three quarters, including both its wholly owned business and SCP, increased more than 50 percent versus last year. "With the expected fourth-quarter growth, Corning's full-year volume growth should be in line with our expectations for the year. Our capability to deliver larger-generation substrate solutions and environmentally green glass with our EAGLE XG(TM) composition has allowed us to maintain a market leadership position," Flaws said.

Corning's fourth-quarter Telecommunications segment sales are expected to decline sequentially by 20 percent to 25 percent due to normal seasonality, lower FTTP volume and price declines. Fourth-quarter sales in the company's Environmental Technologies segment are expected to be flat with the previous quarter. Fourth-quarter equity earnings are expected to be flat to down 5 percent.

Flaws also said that the company has been encouraged by its initial diesel products sales and expects that volume should continue to build as the industry gears up for the implementation of the stricter 2007 U.S. environmental emissions requirements for diesel engines. He said that the volume ramp should occur over several quarters into next year.

"An important goal for the long-term success of the company is the development of a more balanced product portfolio," Weeks said. "We continue to maintain an investment of approximately 10 percent of our sales into research, development and engineering. A highlight of our third quarter was the introduction of Corning's Epic(TM) system, the life science industry's first label-free, high-throughput drug screening system. Our exploration into new advanced displays such as single-crystal silicon-on-glass technology, green laser applications, carbon-based energy storage (fuel cells) and optical fiber-radio technology are a few examples of some of our more promising early-stage developments currently in our laboratories," Weeks said. He noted that these types of technology developments often take as long as 10 years before they are commercialized into the marketplace.

(more)

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Additionally, the company announced that it will be meeting with investors and presenting at four upcoming conferences: Western New York Investor Conference in Buffalo, N.Y. on Oct. 31; UBS Global Communications and Technology Conference in New York on Nov. 14; Credit Suisse Annual Technology Conference in Scottsdale, Ariz., on Nov. 28 and Lehman Brothers Global Technology Conference in San Francisco on Dec. 7.

Third-Quarter Conference Call Information

The company will host a third-quarter conference call at 8:30 a.m. EDT on Wednesday, Oct. 25. To access the call, dial (210) 234-8000. The password is QUARTER THREE. The leader is SOFIO. A replay of the call will begin at

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approximately 10:30 a.m. EDT, and will run through 5 p.m. EDT, Wednesday, Nov. 8. To listen, dial (203) 369-0648. No pass code is required. To listen to a live audio webcast of the call, go to Corning's Web site: http://www.corning.com/investor_relations, and follow the instructions. The audio webcast will be archived for one year following the call.

Presentation of Information in this News Release

Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP. Corning's non-GAAP net income and EPS measure excludes restructuring, impairment and other charges and adjustments to prior estimates for such charges. Additionally, the company's non-GAAP measure excludes adjustments to asbestos settlement reserves required by movements in Corning's common stock price, gains and losses arising from debt retirements, charges resulting from the impairment of equity or cost method investments, or adjustments to deferred tax assets, and gains or losses recognized in equity earnings from restructuring, impairment or other charges or credits taken by equity method companies. Corning's free cash flow financial measures are also non-GAAP measures. The company believes presenting non-GAAP free cash flow; net income and EPS measures are helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. These non-GAAP measures are reconciled on the company's Web site at www.corning.com/investor_relations and accompany this news release.

About Corning Incorporated

Corning Incorporated (www.corning.com) is a diversified technology company that concentrates its efforts on high-impact growth opportunities. Corning combines its expertise in specialty glass, ceramic materials, polymers and the manipulation of the properties of light, with strong process and manufacturing capabilities to develop, engineer and commercialize significant innovative products for the telecommunications, flat panel display, environmental, semiconductor, and life sciences industries.

(more)

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Forward-Looking and Cautionary Statements

This press release contains forward-looking statements that involve a variety of business risks and other uncertainties that could cause actual results to differ materially. These risks and uncertainties include the possibility of changes in global economic and political conditions; tariffs, import duties and currency fluctuations; product demand and industry capacity; competition; manufacturing efficiencies; cost reductions; availability and costs of critical components and materials; new product development and commercialization; order activity and demand from major customers; changes in the mix of sales between premium and non-premium products; facility expansions and new plant start-up costs; possible disruption in commercial activities due to terrorist activity, armed conflict,

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political instability or major health concerns; adequacy and availability of insurance; capital spending; equity company activities; acquisition and divestiture activities; the level of excess or obsolete inventory; the rate of technology change; the ability to enforce patents; product and components performance issues; stock price fluctuations; and adverse litigation or regulatory developments. Additional risk factors are identified in Corning's filings with the Securities and Exchange Commission. Forward-looking statements speak only as of the day that they are made, and Corning undertakes no obligation to update them in light of new information or future events.

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CORNING INCORPORATED AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited; in millions, except per share amounts)

	Three months ended September 30,		ende
	2006	2005	2006
Net sales	\$ 1,282	\$ 1,188	\$ 3,8
Cost of sales	716	643	2,1
	566	545	1,6
Gross margin			
Operating expenses:			
Selling, general and administrative expenses	218	178	6
Research, development and engineering expenses	127	118	3
Amortization of purchased intangibles	2	3	
Restructuring, impairment and other charges	2	28	
Asbestos settlement (Note 1)	13	73	1
	204	145	5
Operating income			
Interest income	32	17	
Interest expense	(18)	(23)	(
Loss on repurchases and retirement of debt, net			(
Other income, net	27	17	
	245	156	5
Income before income taxes			
Provision for income taxes	33	28	
	212	128	5
Income (loss) before minority interests and equity earnings			
Minority interests	(6)	(2)	
Equity in earnings of associated companies, net of impairments	232	77	6
	438	203	1,2
Net income	\$	\$	\$

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	=====	=====	=====
Basic earnings per common share (Note 2)	\$ 0.28	\$ 0.14	\$ 0.
	=====	=====	=====
Diluted earnings per common share (Note 2)	\$ 0.27	\$ 0.13	\$ 0.
	=====	=====	=====

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited; in millions, except per share amounts)

	September 2006

Assets	
Current assets:	
Cash and cash equivalents	\$ 9
Short-term investments, at fair value	1,8

Total cash, cash equivalents and short-term investments	2,8
Trade accounts receivable, net	7
Inventories	6
Deferred income taxes	
Other current assets	1

Total current assets	4,4
Investments	2,3
Property, net	5,0
Goodwill and other intangible assets, net	3
Deferred income taxes	
Other assets	5

Total Assets	\$ 12,8
	=====
Liabilities and Shareholders' Equity	
Current liabilities:	
Current portion of long-term debt	\$
Accounts payable	5
Other accrued liabilities	1,7

Total current liabilities	2,3
Long-term debt	1,7
Postretirement benefits other than pensions	5
Other liabilities	9

Total liabilities	5,6

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Commitments and contingencies	
Minority interests	
Shareholders' equity:	
Preferred stock - Par value \$100.00 per share; Shares authorized: 10 million	7
Common stock - Par value \$0.50 per share; Shares authorized: 3.8 billion;	
Shares issued: 1,573 million and 1,552 million	11,9
Additional paid-in capital	(5,6
Accumulated deficit	(1
Treasury stock, at cost; Shares held: 17 million	2
Accumulated other comprehensive income	

Total shareholders' equity	7,1

Total Liabilities and Shareholders' Equity	\$ 12,8
	=====

See accompanying notes to these financial statements.

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

	Three months ended		
	Sept. 30, 2006	June 30, 2006	
	-----	-----	----
Cash Flows from Operating Activities:			
Net income	\$ 438	\$ 514	\$ 1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	140	149	
Amortization of purchased intangibles	2	3	
Restructuring, impairment and other charges and (credits)	2	5	
Asbestos settlement	13	(61)	
Stock compensation charges	33	30	
Loss on repurchases and retirement of debt, net		11	
Undistributed earnings of affiliated companies	(143)	(169)	
Deferred taxes	3	(5)	
Restructuring payments	(3)	(2)	
Customer deposits, net	12	82	
Employee benefit payments less than expense	3	8	
Changes in certain working capital items:			
Trade accounts receivable	(122)	68	
Inventories	(11)	(47)	
Other current assets	(5)	3	
Accounts payable and other current liabilities, net of restructuring payments	14	1	
Other, net	35	(9)	
	-----	-----	----
Net cash provided by operating activities	411	581	1
	-----	-----	----
Cash Flows from Investing Activities:			

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Capital expenditures	(338)	(274)	
Acquisitions of businesses, net of cash acquired		(16)	
Net proceeds from sale or disposal of assets	3	8	
Net increase in long-term investments and other long-term assets			
Short-term investments - acquisitions	(838)	(647)	(2)
Short-term investments - liquidations	383	485	1
Other, net			
	-----	-----	-----
Net cash used in investing activities	(790)	(444)	(1)
	-----	-----	-----
Cash Flows from Financing Activities:			
Repayments of short-term borrowings and current portion of long-term debt	(7)	(3)	
Proceeds from issuance of long-term debt, net	246		
Repayments of long-term debt	(9)	(334)	
Proceeds from issuance of common stock, net	5	9	
Proceeds from the exercise of stock options	29	32	
Other, net	(4)	(6)	
	-----	-----	-----
Net cash provided by (used in) financing activities	260	(302)	
	-----	-----	-----
Effect of exchange rates on cash		1	
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(119)	(164)	
Cash and cash equivalents at beginning of period	1,098	1,262	1
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 979	\$ 1,098	\$
	=====	=====	=====

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
	-----	-----	-----	-----
Three months ended September 30, 2006				
Net sales	\$ 506	\$ 456	\$ 153	\$ 68
Depreciation (1)	\$ 69	\$ 36	\$ 19	\$ 5
Amortization of purchased intangibles		\$ 2		
Research, development and engineering expenses (2)	\$ 30	\$ 20	\$ 30	\$ 12
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ (3)		\$ 3
Income tax provision	\$ (22)	\$ (11)	\$ (3)	

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Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 257	\$ 24	\$ 7	\$ (8)
Minority interests		(5)		
Equity in earnings of affiliated companies (5)	138	1		
	-----	-----	-----	-----
Net income (loss)	\$ 395	\$ 20	\$ 7	\$ (8)
	=====	=====	=====	=====

Three months ended September 30, 2005

Net sales	\$ 489	\$ 398	\$ 144	\$ 70
Depreciation (1)	\$ 48	\$ 46	\$ 18	\$ 5
Amortization of purchased intangibles		\$ 3		
Research, development and engineering expenses (2)	\$ 29	\$ 21	\$ 26	\$ 11
Restructuring, impairment and other charges and (credits) (before-tax and minority interest) (3)		\$ 28		
Income tax provision	\$ (35)	\$ 2	\$ 1	
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 268	\$ (23)	\$ 9	\$ (1)
Minority interests		1		
Equity in earnings (loss) of affiliated companies (5)	117	6		
	-----	-----	-----	-----
Net income (loss)	\$ 385	\$ (17)	\$ 9	\$ (1)
	=====	=====	=====	=====

Nine months ended September 30, 2006

Net sales	\$ 1,514	\$ 1,325	\$ 460	\$ 215
Depreciation (1)	\$ 199	\$ 121	\$ 59	\$ 15
Amortization of purchased intangibles		\$ 8		
Research, development and engineering expenses (2)	\$ 96	\$ 58	\$ 91	\$ 37
Restructuring, impairment and other charges and (credits) (before-tax and minority interest) (3)		\$ 2		\$ 5
Income tax provision	\$ (72)	\$ (30)	\$ (6)	
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 741	\$ 62	\$ 16	\$ (15)
Minority interests		(5)		
Equity in earnings (loss) of affiliated companies (5)	415	4	(1)	
	-----	-----	-----	-----
Net income (loss)	\$ 1,156	\$ 61	\$ 15	\$ (15)
	=====	=====	=====	=====

Nine months ended September 30, 2005

Net sales	\$ 1,224	\$ 1,240	\$ 438	\$ 219
Depreciation (1)	\$ 133	\$ 138	\$ 53	\$ 15
Amortization of purchased intangibles		\$ 10		
Research, development and engineering expenses (2)	\$ 74	\$ 57	\$ 75	\$ 28
Restructuring, impairment and other charges and (credits) (before-tax and minority interest) (3)		\$ 36		
Income tax provision	\$ (76)	\$ (13)	\$ (5)	\$ (2)
Earnings (loss) before minority interest and equity earnings (loss) (4)	\$ 586	\$ (15)	\$ 22	\$ 4
Minority interests		1		
Equity in earnings (loss) of affiliated companies (5)	285	7		
	-----	-----	-----	-----

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Net income (loss)	\$ 871	\$ (7)	\$ 22	\$ 4
	=====	=====	=====	=====

- (1) Depreciation expense for Corning's reportable segments is recorded based on the assets of each segment and also includes an allocation of depreciation of corporate property not specifically identifiable to a segment.
- (2) Research, development, and engineering expenses includes direct project spending which is identifiable to a segment.
- (3) In the three and nine months ended September 30, 2005, restructuring, impairment and other charges and (credits) includes a charge of \$28 million for a restructuring plan in the Telecommunications segment.
- (4) Many of Corning's administrative and staff functions are performed on a centralized basis. Where practicable, Corning charges these expenses to segments based upon the extent to which each business uses a centralized function. Other staff functions, such as corporate finance, human resources and legal are allocated to segments, primarily as a percentage of sales.
- (5) In the three and nine months ended September 30, 2006, equity in earnings (loss) of affiliated companies includes charges of \$2 million and \$26 million, respectively, in All Other related to impairments for Samsung Corning. In the three and nine months ended September 30, 2005, equity in earnings (loss) of affiliated companies includes a charge of \$106 million for Corning's share of Samsung Corning's impairment of certain manufacturing asset and other charges.

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

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

	Three months ended September 30,		
	2006	2005	
Net income of reportable segments	\$ 421	\$ 268	\$
Unallocated amounts:			
Net financing costs (1)	5	(18)	
Stock-based compensation expense	(33)	(12)	
Exploratory research	(22)	(20)	
Corporate contributions	(7)	(6)	
Equity in earnings of affiliated companies, net of impairments (2)	84	61	
Asbestos settlement (3)	(13)	(73)	
Other corporate items (4)	3	3	
Net income	\$ 438	\$ 203	\$
	=====	=====	=====

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

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

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

1. Asbestos Settlement

On March 28, 2003, Corning announced that it had reached agreement with the representatives of asbestos claimants for the settlement of all current and future asbestos claims against Corning and Pittsburgh Corning Corporation (PCC), which might arise from PCC products or operations. The proposed settlement, when the plan becomes effective, will require Corning to relinquish its equity interest in PCC, contribute its equity interest in Pittsburgh Corning Europe N.V. (PCE), a Belgian corporation, and contribute 25 million shares of Corning common stock. Corning also agreed to make cash payments with a value of \$131 million, in March 2003, over six years from the effective date of the settlement and to assign insurance policy proceeds from its primary insurance and a portion of its excess insurance at the time of the settlement.

As a result of the proposed asbestos settlement, any changes in the estimated

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

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

2. Weighted Average Shares Outstanding

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

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

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

	2006		
	----- Three Months Ended		
	March 31	June 30	Sept. 30
Display Technologies	\$ 547	\$ 461	\$ 506
Telecommunications			
Fiber and cable	205	234	241
Hardware and equipment	192	238	215
	-----	-----	-----
	397	472	456
Environmental Technologies			
Automotive	121	113	112
Diesel	34	39	41
	-----	-----	-----
	155	152	153
Life Sciences	72	75	68
Other	91	101	99
	-----	-----	-----
Total	\$ 1,262	\$ 1,261	\$ 1,282

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	=====	=====	=====	=====
	2005			
	----- Q1 -----	----- Q2 -----	----- Q3 -----	----- Q4 -----
Display Technologies	\$ 320	\$ 415	\$ 489	\$
Telecommunications				
Fiber and cable	212	213	216	
Hardware and equipment	215	202	182	
	----- 427	----- 415	----- 398	
Environmental Technologies				
Automotive	127	125	121	
Diesel	21	21	23	
	----- 148	----- 146	----- 144	
Life Sciences	74	75	70	
Other	81	90	87	
	-----	-----	-----	-----
Total	\$ 1,050	\$ 1,141	\$ 1,188	\$ 1,188
	=====	=====	=====	=====

The above supplemental information is intended to facilitate analysis of Corning's businesses.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended September 30, 2006

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

Corning's net income and earnings per share (EPS) excluding special items for the third quarter of 2006 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

Per	Income Before	Net
Share	Income Taxes	Income

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Earnings per share (EPS) and net income, excluding special items	\$ 0.28	\$ 258	\$ 451
Special items:			
Asbestos settlement (a)	(0.01)	(13)	(13)
Total EPS and net income	\$ 0.27	\$ 245	\$ 438

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

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

Corning's net income and earnings per share (EPS) excluding special items for the second quarter of 2006 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Income Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	\$ 0.26	\$ 233	\$ 421
Special items:			
Asbestos settlement (a)	0.04	61	61
Loss on repurchases of debt, net	(0.01)	(11)	(11)
Provision for income taxes (b)	0.01		10
Equity in earnings of associated companies (c)	0.02		33
Total EPS and net income	\$ 0.32	\$ 283	\$ 514

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended September 30, 2005
(Unaudited; amounts in millions, except per share amounts)

Corning's net income and earnings per share (EPS) excluding special items for the third quarter of 2005 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measure.

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

- (a) In the third quarter of 2005, we recorded a charge of \$28 million (before- and after-tax and minority interest) which included severance costs associated with cost reduction efforts in our Telecommunications segment.

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Also included in this charge were \$2 million of credits for adjustments related to prior years' restructuring charges.

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

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

Corning's free cash flow financial measure for the three months ended September 30, 2006 is a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP financial measures are helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measure.

	Three months ended September 30, 2006 -----
Cash flows from operating activities	\$ 411
Less: Cash flows from investing activities	(790)
Plus: Short-term investments - acquisitions	838
Less: Short-term investments - liquidations	(383)

Free cash flow	\$ 76 =====

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

 Corning's earnings per share (EPS) excluding special items for the fourth quarter of 2006 is a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measure.

	Range	

Guidance: EPS excluding special items	\$0.26	\$0.29
Special items:		
Restructuring, impairment and other (charges) and credits (a)		
Asbestos settlement (b)		
	-----	-----

Earnings per share

 This schedule will be updated as additional announcements occur.

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

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Please note that the company may pursue other financing, restructuring and divestiture activities at any time in the future, and that the potential impact of these events is not included within Corning's fourth quarter 2006 guidance.

This schedule contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements are based on current expectations and involve certain risks and uncertainties. Actual results may differ from those projected in the forward looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in the Securities and Exchange Commission filings of this Company.