

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited; in millions, except per share amounts)

	Three months ended June 30.		Six months ended June 30.	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net sales	\$ 1,261	\$ 1,141	\$ 2,523	\$ 2,191
Cost of sales	<u>720</u>	<u>658</u>	<u>1,409</u>	<u>1,279</u>
Gross margin	541	483	1,114	912
Operating expenses:				
Selling, general and administrative expenses	194	191	417	375
Research, development and engineering expenses	128	104	252	202
Amortization of purchased intangibles	3	3	6	8
Restructuring, impairment and other charges and (credits)	5	(1)	11	18
Asbestos settlement (Note 1)	<u>(61)</u>	<u>143</u>	<u>124</u>	<u>131</u>
Operating income	272	43	304	178
Interest income	26	13	50	23
Interest expense	(18)	(26)	(38)	(61)
Loss on repurchases and retirement of debt, net (Note 2)	(11)	(12)	(11)	(12)
Other income, net	<u>14</u>	<u>20</u>	<u>34</u>	<u>11</u>
Income before income taxes	283	38	339	139
Provision for income taxes (Note 3)	<u>(24)</u>	<u>(44)</u>	<u>(22)</u>	<u>(63)</u>
Income (loss) before minority interests and equity earnings	259	(6)	317	76
Minority interests	(1)	(5)	(2)	(6)
Equity in earnings of associated companies, net of impairments (Note 4)	<u>256</u>	<u>176</u>	<u>456</u>	<u>345</u>
Net income	<u>\$ 514</u>	<u>\$ 165</u>	<u>\$ 771</u>	<u>\$ 415</u>
Basic earnings per common share (Note 5)	<u>\$ 0.33</u>	<u>\$ 0.11</u>	<u>\$ 0.50</u>	<u>\$ 0.29</u>
Diluted earnings per common share (Note 5)	<u>\$ 0.32</u>	<u>\$ 0.11</u>	<u>\$ 0.48</u>	<u>\$ 0.28</u>

See accompanying notes to these financial statements.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited; in millions, except per share amounts)

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,098	\$ 1,342
Short-term investments, at fair value	<u>1,377</u>	<u>1,092</u>
Total cash, cash equivalents and short-term investments	2,475	2,434
Trade accounts receivable, net	633	629
Inventories	664	570
Deferred income taxes	65	44
Other current assets	<u>198</u>	<u>183</u>
Total current assets	4,035	3,860
Investments	2,150	1,729
Property, net	5,032	4,675
Goodwill and other intangible assets, net	333	338
Deferred income taxes	51	10
Other assets	<u>598</u>	<u>595</u>
<b>Total Assets</b>	<b><u>\$ 12,199</u></b>	<b><u>\$ 11,207</u></b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 22	\$ 18
Accounts payable	705	690
Other accrued liabilities	<u>1,645</u>	<u>1,662</u>
Total current liabilities	2,372	2,370
Long-term debt	1,475	1,789
Postretirement benefits other than pensions	596	593
Other liabilities	<u>1,032</u>	<u>925</u>
Total liabilities	5,475	5,677
Commitments and contingencies		
Minority interests	40	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: 1,569 million and 1,552 million	787	776
Additional paid-in capital	11,872	11,548
Accumulated deficit	(6,076)	(6,847)
Treasury stock, at cost; Shares held: 17 million	(191)	(168)
Accumulated other comprehensive income	<u>292</u>	<u>178</u>
Total shareholders' equity	6,684	5,487
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 12,199</u></b>	<b><u>\$ 11,207</u></b>

See accompanying notes to these financial statements.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited; in millions)

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u> <u>2006</u>	<u>March 31,</u> <u>2006</u>	<u>June 30,</u> <u>2006</u> <u>2005</u>	
<b>Cash Flows from Operating Activities:</b>				
Net income	\$ 514	\$ 257	\$ 771	\$ 415
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	149	141	290	246
Amortization of purchased intangibles	3	3	6	8
Restructuring, impairment and other charges and (credits)	5	6	11	18
Asbestos settlement	(61)	185	124	131
Stock compensation charges	30	32	62	13
Loss on repurchases and retirement of debt, net	11		11	12
Undistributed earnings of affiliated companies	(169)	(70)	(239)	(133)
Deferred taxes	(5)	(62)	(67)	7
Restructuring payments	(2)	(4)	(6)	(16)
Customer deposits, net	82	(8)	74	232
Employee benefit payments less than expense	8	15	23	29
Changes in certain working capital items:				
Trade accounts receivable	68	(65)	3	(89)
Inventories	(47)	(46)	(93)	(39)
Other current assets	3	(8)	(5)	(40)
Accounts payable and other current liabilities, net of restructuring payments	1	(196)	(195)	(129)
Other, net	(9)	1	(8)	20
<b>Net cash provided by operating activities</b>	<u>581</u>	<u>181</u>	<u>762</u>	<u>685</u>
<b>Cash Flows from Investing Activities:</b>				
Capital expenditures	(274)	(280)	(554)	(698)
Acquisitions of businesses, net of cash acquired	(16)		(16)	
Net proceeds from sale or disposal of assets	8		8	17
Net increase in long-term investments and other long-term assets		(77)	(77)	
Short-term investments - acquisitions	(647)	(858)	(1,505)	(703)
Short-term investments - liquidations	485	735	1,220	762
Other, net	(6)		(8)	10
<b>Net cash used in investing activities</b>	<u>(444)</u>	<u>(480)</u>	<u>(924)</u>	<u>(612)</u>
<b>Cash Flows from Financing Activities:</b>				
Repayments of short-term borrowings and current portion of long-term debt	(3)	(4)	(7)	(195)
Proceeds from issuance of long-term debt, net				147
Retirements of long-term debt	(334)		(334)	(102)
Proceeds from issuance of common stock, net	9	6	15	344
Proceeds from the exercise of stock options	32	219	251	59
Other, net	(6)	(2)	(8)	(6)
<b>Net cash provided by (used in) financing activities</b>	<u>(302)</u>	<u>219</u>	<u>(83)</u>	<u>247</u>
Effect of exchange rates on cash	1		1	(28)
Net increase (decrease) in cash and cash equivalents	(164)	(80)	(244)	292
Cash and cash equivalents at beginning of period	<u>1,262</u>	<u>1,342</u>	<u>1,342</u>	<u>1,009</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,098</u>	<u>\$ 1,262</u>	<u>\$ 1,098</u>	<u>\$ 1,301</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
<b>Three months ended June 30, 2006</b>						
Net sales	\$ 461	\$ 472	\$ 152	\$ 75	\$ 101	\$ 1,261
Depreciation (1)	\$ 68	\$ 43	\$ 20	\$ 5	\$ 10	\$ 146
Amortization of purchased intangibles		\$ 3				\$ 3
Research, development and engineering expenses (2)	\$ 36	\$ 18	\$ 31	\$ 12	\$ 8	\$ 105
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ (1)		\$ 2	\$ 4	\$ 5
Income tax provision	\$ (21)	\$ (13)	\$ (3)		\$ (1)	\$ (38)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 209	\$ 40	\$ 9	\$ (2)	\$ 1	\$ 257
Minority interests		(1)				(1)
Equity in earnings (loss) of affiliated companies (4)	135	1			12	148
Net income (loss)	<u>\$ 344</u>	<u>\$ 40</u>	<u>\$ 9</u>	<u>\$ (2)</u>	<u>\$ 13</u>	<u>\$ 404</u>
<b>Three months ended June 30, 2005</b>						
Net sales	\$ 415	\$ 415	\$ 146	\$ 75	\$ 90	\$ 1,141
Depreciation (1)	\$ 44	\$ 46	\$ 18	\$ 5	\$ 9	\$ 122
Amortization of purchased intangibles		\$ 2				\$ 2
Research, development and engineering expenses (2)	\$ 24	\$ 19	\$ 26	\$ 9	\$ 6	\$ 84
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ 8			\$ (15)	\$ (7)
Income tax provision	\$ (33)	\$ (7)	\$ (3)	\$ (1)	\$ (2)	\$ (46)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 199	\$ (10)	\$ 4	\$ 1	\$ 17	\$ 211
Minority interests					(5)	(5)
Equity in earnings (loss) of affiliated companies	87	1			8	96
Net income (loss)	<u>\$ 286</u>	<u>\$ (8)</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 20</u>	<u>\$ 303</u>
<b>Six months ended June 30, 2006</b>						
Net sales	\$ 1,008	\$ 869	\$ 307	\$ 147	\$ 192	\$ 2,523
Depreciation (1)	\$ 130	\$ 85	\$ 40	\$ 10	\$ 20	\$ 285
Amortization of purchased intangibles		\$ 6				\$ 6
Research, development and engineering expenses (2)	\$ 66	\$ 38	\$ 61	\$ 25	\$ 16	\$ 206
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ 6		\$ 2	\$ 3	\$ 11
Income tax provision	\$ (50)	\$ (19)	\$ (3)		\$ (4)	\$ (76)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 484	\$ 38	\$ 9	\$ (7)	\$ 3	\$ 527
Minority interests					(2)	(2)
Equity in earnings (loss) of affiliated companies (4)	277	3	(1)		(1)	278
Net income (loss)	<u>\$ 761</u>	<u>\$ 41</u>	<u>\$ 8</u>	<u>\$ (7)</u>	<u>\$ 1</u>	<u>\$ 803</u>
<b>Six months ended June 30, 2005</b>						
Net sales	\$ 735	\$ 842	\$ 294	\$ 149	\$ 171	\$ 2,191
Depreciation (1)	\$ 85	\$ 92	\$ 35	\$ 10	\$ 18	\$ 240
Amortization of purchased intangibles		\$ 7				\$ 7
Research, development and engineering expenses (2)	\$ 45	\$ 36	\$ 49	\$ 17	\$ 13	\$ 160
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ 8			\$ (15)	\$ (7)
Income tax provision	\$ (41)	\$ (15)	\$ (6)	\$ (2)	\$ (4)	\$ (68)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 318	\$ 8	\$ 13	\$ 5	\$ 20	\$ 364
Minority interests					(7)	(7)
Equity in earnings (loss) of affiliated companies	168	1			25	194
Net income (loss)	<u>\$ 486</u>	<u>\$ 9</u>	<u>\$ 13</u>	<u>\$ 5</u>	<u>\$ 38</u>	<u>\$ 551</u>

- (1) Depreciation expense for Corning's reportable segments is recorded based on the assets of each segment and also includes an allocation of depreciation of corporate property not specifically identifiable to a segment.
- (2) Research, development, and engineering expenses includes direct project spending which is identifiable to a segment.
- (3) Many of Corning's administrative and staff functions are performed on a centralized basis. Where practicable, Corning charges these expenses to segments based upon the extent to which each business uses a centralized function. Other staff functions, such as corporate finance, human resources and legal are allocated to segments, primarily as a percentage of sales.
- (4) In the three and six months ended June 30, 2006, equity in earnings (loss) of affiliated companies includes charges of \$3 million and \$24 million, respectively, in All Other related to impairments for Samsung Corning.

**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 June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Net income of reportable segments	\$ 404	\$ 303	\$ 803	\$ 551
Unallocated amounts:				
Net financing costs (1)	(2)	(24)	(10)	(61)
Stock-based compensation expense	(30)	(9)	(62)	(15)
Exploratory research	(19)	(17)	(40)	(36)
Corporate contributions	(9)	(7)	(17)	(12)
Equity in earnings of affiliated companies, net of impairments (2)	70	81	140	152
Asbestos settlement (3)	61	(143)	(124)	(131)
Other corporate items (4)	39	(19)	81	(33)
Net income	<u>\$ 514</u>	<u>\$ 165</u>	<u>\$ 771</u>	<u>\$ 415</u>

- (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 three and six months ended June 30, 2006, a \$33 million gain representing our share of a tax settlement relating to an IRS examination at Dow Corning.
  - In the three and six months ended June 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 changes in the estimated fair value of the other components of the settlement offer. In the second quarter of 2006 and 2005, Corning recorded a credit of \$68 million and a charge of \$137 million, respectively, to reflect the movement in Corning's common stock price in each year and charges of \$7 million and \$6 million, respectively, to reflect changes in the estimated fair value of other components of the settlement offer. In the six months ended June 30, 2006 and 2005, Corning recorded charges of \$114 million and \$121 million, respectively, to reflect the movement in Corning's common stock price in each year and charges of \$10 million in each year 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 plus the following items:
  - In the three and six months ended June 30, 2006, tax benefits of \$10 million and \$48 million, respectively, from the release of valuation allowances for certain foreign locations.
  - In the three and six months ended June 30, 2005, impairment charges of \$6 million and \$25 million, respectively, for an other-than-temporary decline in our investment in Avanex below its cost basis.
  - In the three and six months ended June 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 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 credit of \$61 million (pretax and after-tax) including a mark-to-market credit of \$68 million reflecting the decrease in Corning's common stock from March 31, 2006 to June 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 \$942 million to reflect the estimated fair value of our asbestos liability.

**2. Debt**

In the second quarter of 2006, we redeemed \$315 million principal amount of our outstanding notes in three separate transactions resulting in losses of \$11 million.

**3. Provision for Income Taxes**

In the second quarter of 2006, Corning recorded a \$10 million tax benefit from the release of a valuation allowance on Australian tax benefits due to sustained profitability of Corning's Australian entities and positive future earnings projections for the Australian consolidated group.

**4. Equity in Earnings of Associated Companies**

In the second quarter of 2006, equity in earnings of associated companies includes a gain of \$33 million related to Dow Corning's settlement with the IRS regarding liabilities for tax years 1992 to 2003. This settlement resolves all Federal tax issues related to Dow Corning's implant settlement.

**5. Weighted Average Shares Outstanding**

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

	<b>Three months ended</b>		<b>Three months ended</b>
	<b>June 30,</b>		<b>March 31, 2006</b>
	<b><u>2006</u></b>	<b><u>2005</u></b>	
Basic	1,549	1,438	1,541
Diluted	1,597	1,517	1,592
Diluted used for non-GAAP measures	1,597	1,523	1,592

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**QUARTERLY SALES INFORMATION**

(Unaudited; in millions)

	<u>2006</u>				
	<u>Three</u> <u>Months Ended</u>		<u>Six Months</u> <u>Ended</u>		
	<u>March 31</u>	<u>June 30</u>	<u>June 30</u>		
<b>Display Technologies</b>	\$ 547	\$ 461	\$ 1,008		
<b>Telecommunications</b>					
Fiber and cable	205	234	439		
Hardware and equipment	<u>192</u>	<u>238</u>	<u>430</u>		
	397	472	869		
<b>Environmental Technologies</b>					
Automotive	121	113	234		
Diesel	<u>34</u>	<u>39</u>	<u>73</u>		
	155	152	307		
<b>Life Sciences</b>	72	75	147		
<b>Other</b>	<u>91</u>	<u>101</u>	<u>192</u>		
<b>Total</b>	<u>\$1,262</u>	<u>\$1,261</u>	<u>\$2,523</u>		
	<u>2005</u>				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
<b>Display Technologies</b>	\$ 320	\$ 415	\$ 489	\$ 518	\$ 1,742
<b>Telecommunications</b>					
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
<b>Environmental Technologies</b>					
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
<b>Life Sciences</b>	74	75	70	63	282
<b>Other</b>	<u>81</u>	<u>90</u>	<u>87</u>	<u>94</u>	<u>352</u>
<b>Total</b>	<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 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.

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

- (a) As a result of Corning's proposed asbestos settlement, any changes in the estimated fair value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the second quarter of 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 March 31, 2006**

(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 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 Before Income Taxes</u>	<u>Net Income</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.27	\$ 241	\$ 425
<i>Special items:</i>			
Asbestos settlement (a)	(0.12)	(185)	(185)
Provision for income taxes (b)	0.02		38
Equity in earnings of associated companies (c)	<u>(0.01)</u>	<u>      </u>	<u>(21)</u>
Total EPS and net income	<u>\$ 0.16</u>	<u>\$ 56</u>	<u>\$ 257</u>

- (a) As a result of Corning's proposed asbestos settlement, any changes in the estimated fair value of the components of the proposed settlement agreement will be recognized in our quarterly results until the date of the contribution to the settlement trust. In the first quarter of 2006, Corning recorded a charge of \$185 million (before- and after-tax) including \$182 million for the change in its common stock price of \$26.92 at March 31, 2006, compared to \$19.66 at December 31, 2005 and \$3 million for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (b) Amount reflects a \$38 million tax benefit from the release of our valuation allowance on certain deferred tax assets in Germany.
- (c) Amount reflects a charge of \$21 million to reflect Corning's share of an impairment charge at Samsung Corning Co., Ltd., a South Korea-based manufacturer of glass panels and funnels for cathode ray tube television and display monitors.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE**  
**Three Months Ended June 30, 2005**

(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 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 Before Income Taxes</u>	<u>Net Income</u>
EPS and net income, excluding special items	\$ 0.20	\$ 192	\$ 312
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)		1	(3)
Asbestos settlement (b)	(0.09)	(143)	(143)
Loss on repurchases and retirement of debt, net (c)	(0.01)	(12)	(12)
Equity in earnings of associated companies (d)	<u>0.01</u>	<u>      </u>	<u>11</u>
Total EPS and net income	<u>\$ 0.11</u>	<u>\$ 38</u>	<u>\$ 165</u>

- (a) In the second quarter of 2005, Corning recorded net credits of \$1 million (net charge of \$3 million after-tax and minority interest) included in restructuring, impairment and other charges and (credits). A summary of these credits and charges follows:
- We recorded net credits of \$7 million (\$3 million after-tax and minority interest), primarily for adjustments to prior years' restructuring and impairment reserves.
  - We recorded an additional impairment charge of \$6 million (pretax and after-tax) for an other than temporary decline in the fair value of our investment in Avanex Corporation (Avanex) below its adjusted cost basis. Our investment in Avanex is accounted for as an available-for-sale security under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." At June 30, 2005, shares of Avanex stock were trading at \$0.90 per share compared to our adjusted cost basis of \$1.30 per share (after adjusting for the first quarter of 2005 impairment charge). We intend to sell our shares of Avanex and, subject to restrictions and the trading volume in Avanex stock, we expect to complete this activity in early 2006. As we do not expect the market value of the Avanex shares to recover in this timeframe, the additional impairment in the second quarter was required.
- (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 second quarter of 2005, Corning recorded a charge of \$143 million (before- and after-tax) including \$137 million for the change in Corning's common stock price of \$16.62 at June 30, 2005, compared to \$11.13 at March 31, 2005 and a \$6 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (c) In the second quarter of 2005, we redeemed for cash the \$100 million principal amount of our 7% debentures due March 15, 2007. We recognized a \$12 million loss upon the early redemption of these debentures.
- (d) In the second quarter of 2005, Dow Corning Corporation recorded a gain on the issuance of subsidiary stock. Our equity earnings included \$11 million related to this gain.

**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)

Corning's free cash flow financial measure for the three months ended June 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.

	<b>Three months ended June 30, 2006</b>
Cash flows from operating activities	\$ 581
Less: Cash flows from investing activities	(444)
Plus: Short-term investments - acquisitions	647
Less: Short-term investments - liquidations	<u>(485)</u>
Free cash flow	<u>\$ 299</u>

**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 earnings per share (EPS) excluding special items for the third 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.

	<b>Range</b>	
Guidance: EPS excluding special items	\$0.22	\$0.26
<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, 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 third quarter of 2006, Corning will record a charge or credit for the change in its common stock price as of September 30, 2006 compared to \$24.19, the common stock price at June 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.

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