

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

(Unaudited; in millions, except per share amounts)

	<u>Three months ended March 31,</u>	
	<u>2006</u>	<u>2005 As Restated</u>
Net sales	\$ 1,262	\$ 1,050
Cost of sales	<u>689</u>	<u>621</u>
Gross margin	573	429
Operating expenses:		
Selling, general and administrative expenses	223	184
Research, development and engineering expenses	124	98
Amortization of purchased intangibles	3	5
Restructuring, impairment and other charges	6	19
Asbestos settlement (Note 2)	<u>185</u>	<u>(12)</u>
Operating income	32	135
Interest income	24	10
Interest expense	(20)	(35)
Loss on repurchases and retirement of debt, net		(9)
Other income (expense), net	<u>20</u>	<u>      </u>
Income before income taxes	56	101
Benefit (provision) for income taxes (Note 3)	<u>2</u>	<u>(19)</u>
Income before minority interests and equity earnings	58	82
Minority interests	(1)	(1)
Equity in earnings of associated companies, net of impairments (Note 4)	<u>200</u>	<u>169</u>
Net income	<u>\$ 257</u>	<u>\$ 250</u>
Basic earnings per common share (Note 5)	<u>\$ 0.17</u>	<u>\$ 0.18</u>
Diluted earnings per common share (Note 5)	<u>\$ 0.16</u>	<u>\$ 0.17</u>

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> <u>2006</u>	<u>December 31,</u> <u>2005 As Restated</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,262	\$ 1,342
Short-term investments, at fair value	<u>1,216</u>	<u>1,092</u>
Total cash, cash equivalents and short-term investments	2,478	2,434
Trade accounts receivable, net	696	629
Inventories	616	570
Deferred income taxes	65	44
Other current assets	<u>189</u>	<u>183</u>
Total current assets	4,044	3,860
Investments	1,929	1,729
Property, net	4,816	4,675
Goodwill and other intangible assets, net	336	338
Deferred income taxes	50	10
Other assets	<u>582</u>	<u>595</u>
<b>Total Assets</b>	<b><u>\$ 11,757</u></b>	<b><u>\$ 11,207</u></b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Short-term borrowings, including current portion of long-term debt	\$ 23	\$ 18
Accounts payable	661	690
Other accrued liabilities	<u>1,699</u>	<u>1,662</u>
Total current liabilities	2,383	2,370
Long-term debt	1,788	1,789
Postretirement benefits other than pensions	593	593
Other liabilities	<u>907</u>	<u>925</u>
Total liabilities	<u>5,671</u>	<u>5,677</u>
Commitments and contingencies		
Minority interests	46	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: 1,564 million and 1,552 million	786	776
Additional paid-in capital	11,808	11,548
Accumulated deficit	(6,591)	(6,847)
Treasury stock, at cost; Shares held: 17 million	(181)	(168)
Accumulated other comprehensive income	<u>218</u>	<u>178</u>
Total shareholders' equity	<u>6,040</u>	<u>5,487</u>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 11,757</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 March 31,</u>	
	<u>2006</u>	<u>2005 As Restated</u>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 257	\$ 250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	141	120
Amortization of purchased intangibles	3	5
Asbestos settlement	185	(12)
Restructuring, impairment and other charges	6	19
Stock compensation charges	32	6
Undistributed earnings of associated companies	(77)	(26)
Deferred taxes	(62)	3
Restructuring payments	(4)	(9)
Customer deposits	(8)	20
Employee benefit payments less than expense	15	16
Changes in certain working capital items:		
Trade accounts receivable	(65)	(54)
Inventories	(46)	(39)
Other current assets	(8)	(16)
Accounts payable and other current liabilities, net of restructuring payments	(195)	(151)
Other, net	<u>7</u>	<u>10</u>
<b>Net cash provided by operating activities</b>	<u>181</u>	<u>142</u>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(280)	(323)
Investment in affiliate companies	(77)	
Short-term investments - acquisitions	(858)	(314)
Short-term investments - liquidations	735	486
Other, net	<u>2</u>	<u>2</u>
<b>Net cash used in investing activities</b>	<u>(480)</u>	<u>(149)</u>
<b>Cash Flows from Financing Activities:</b>		
Repayments of short-term borrowings and current portion of long-term debt	(4)	(192)
Proceeds from issuance of long-term debt, net		48
Retirements of long-term debt		(2)
Proceeds from issuance of common stock, net	6	12
Proceeds from the exercise of stock options	219	9
Other, net	<u>(2)</u>	<u>(5)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>219</u>	<u>(130)</u>
Effect of exchange rates on cash		<u>(25)</u>
Net decrease in cash and cash equivalents	(80)	(162)
Cash and cash equivalents at beginning of period	<u>1,342</u>	<u>1,009</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,262</u>	<u>\$ 847</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 March 31, 2006</b>						
Net sales	\$ 547	\$ 397	\$ 155	\$ 72	\$ 91	\$ 1,262
Depreciation (1)	\$ 62	\$ 42	\$ 20	\$ 5	\$ 10	\$ 139
Amortization of purchased intangibles		\$ 3				\$ 3
Research, development and engineering expenses (2)	\$ 30	\$ 20	\$ 30	\$ 13	\$ 8	\$ 101
Restructuring, impairment and other charges (before-tax and minority interest)		\$ 6				\$ 6
Income tax provision	\$ (29)	\$ (6)			\$ (3)	\$ (38)
Income (loss) before minority interests and equity earnings (loss) (3)	\$ 275	\$ (2)		\$ (5)	\$ 2	\$ 270
Minority interests		\$ 1			\$ (2)	\$ (1)
Equity in earnings (loss) of associated companies (4)	<u>142</u>	<u>2</u>	<u>(1)</u>	<u>(5)</u>	<u>(13)</u>	<u>130</u>
Net income (loss)	<u>\$ 417</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ (5)</u>	<u>\$ (13)</u>	<u>\$ 399</u>
<b>Three months ended March 31, 2005 – Restated</b>						
Net sales	\$ 320	\$ 427	\$ 148	\$ 74	\$ 81	\$ 1,050
Depreciation (1)	\$ 41	\$ 46	\$ 17	\$ 5	\$ 9	\$ 118
Amortization of purchased intangibles		\$ 5				\$ 5
Research, development and engineering expenses (2)	\$ 21	\$ 17	\$ 23	\$ 8	\$ 7	\$ 76
Income tax provision	\$ (8)	\$ (8)	\$ (3)	\$ (1)	\$ (2)	\$ (22)
Earnings before minority interest and equity earnings (3)	\$ 119	\$ 18	\$ 9	\$ 4	\$ 3	\$ 153
Minority interests					\$ (2)	\$ (2)
Equity in earnings of associated companies	<u>81</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>17</u>	<u>98</u>
Net income	<u>\$ 200</u>	<u>\$ 18</u>	<u>\$ 9</u>	<u>\$ 4</u>	<u>\$ 18</u>	<u>\$ 249</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.
- (4) Includes a \$21 million charge (net of tax) for Corning's share of an impairment charge for Samsung Corning Co., Ltd.

**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):

	<u>Three months ended March 31,</u>	
	<u>2006</u>	<u>2005 As Restated</u>
Net income of reportable segments	\$ 399	\$ 249
Unallocated amounts:		
Net financing costs (1)	(8)	(37)
Stock-based compensation expense	(32)	(6)
Exploratory research	(21)	(19)
Corporate contributions	(8)	(5)
Equity in earnings of associated companies, net of impairments	70	71
Asbestos settlement (2)	(185)	12
Other corporate items (3)	42	(15)
Net income	<u>\$ 257</u>	<u>\$ 250</u>

- (1) Net financing costs include interest expense, interest income, and interest costs and investment gains associated with benefit plans.
- (2) 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 first quarter of 2006 and 2005, Corning recorded a charge of \$182 million and a credit of \$16 million, respectively, to reflect the movement in Corning's common stock price in each year and charges of \$3 million and \$4 million, respectively, to reflect changes in the estimated fair value of other components of the settlement offer.
- (3) Other corporate items include the tax impact of the unallocated amounts and, in the first quarter of 2005, an impairment charge of \$19 million for the other-than-temporary decline in our investment in Avanex below its cost basis.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**1. Description of Restatement**

The Company and its audit committee concluded, on April 21, 2006, that the Company will restate previously issued historical financial statements to properly account for the asbestos settlement charges and liability and for its investment in and equity earnings of Pittsburgh Corning Europe (PCE) from March 31, 2003, through December 31, 2005. The Company will also change the classification of accretion on a portion of the liability to be paid in cash from interest expense to asbestos settlement charge for the same time period. The restatement adjustments will have no impact on previously reported revenue, cash balances, or compliance with any debt covenants.

On March 28, 2003, we announced that we had reached agreement with the representatives of asbestos claimants for the settlement of all current and future asbestos claims against us 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 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.

Between March 31, 2003, and December 31, 2005, the following errors occurred:

- Corning's asbestos settlement charges and the related liability for the asbestos settlement did not reflect the estimated fair value at initial recognition or subsequent changes in fair value, of certain components of the proposed settlement offer. As a result, asbestos settlement charges for the years 2005, 2004, and 2003 were understated by \$13 million, \$24 million, and \$117 million, respectively, and for the quarter ended March 31, 2005 were understated \$6 million.
- Corning incorrectly suspended recording equity earnings of PCE between March 31, 2003, and December 31, 2005. As a result, equity in earnings of associated companies for the years 2005, 2004, and 2003 was understated by \$13 million, \$11 million, and \$7 million, respectively, and for the quarter ended March 31, 2005 was understated \$2 million.
- Accretion on the cash portion of the asbestos settlement offer was incorrectly recorded as interest expense resulting in both an overstatement of interest expense and an understatement of asbestos settlement expense for the years 2005, 2004, and 2003, by \$8 million, \$8 million, and \$5 million, respectively, and for the quarter ended March 31, 2005 was understated \$2 million.

In the restated financial statements, the higher asbestos settlement charges will be tax-effected in 2003 and the first half of 2004. As Corning provided a valuation allowance on most of its deferred tax assets in the third quarter of 2004, that quarter will reflect an increase in the valuation allowance of \$55 million for the deferred tax assets related to the higher asbestos settlement charges.

The restatement adjustments are expected to impact Corning's reported net income and diluted earnings per share as follows (in millions, except per share amounts):

	<u>Year ended December 31,</u>			<u>Three months ended</u>
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>March 31, 2005</u>
As reported:				
Net income (loss)	\$ 585	\$ (2,165)	\$ (223)	\$ 249
Basic earnings (loss) per share	\$ 0.40	\$ (1.56)	\$ (0.18)	\$ 0.18
Diluted earnings (loss) per share	\$ 0.38	\$ (1.56)	\$ (0.18)	\$ 0.17
As restated:				
Net income (loss)	\$ 585	\$ (2,231)	\$ (280)	\$ 250
Basic earnings (loss) per share	\$ 0.40	\$ (1.61)	\$ (0.22)	\$ 0.18
Diluted earnings (loss) per share	\$ 0.38	\$ (1.61)	\$ (0.22)	\$ 0.17

These adjustments are not expected to change previously reported basic and diluted earnings per share for the quarters ended September 30, 2005, June 30, 2005 and March 31, 2005.

The cumulative effect of these adjustments to Corning's balance sheet as of December 31, 2005, is expected to result in an increase in investments in affiliated companies of \$32 million, an increase to other long-term liabilities of \$154 million, an increase to accumulated deficit of \$123 million, and an increase to accumulated other comprehensive income of \$1 million.

As a result of the restatement adjustments, the Company's previously issued consolidated financial statements, including those contained in the following filings, should no longer be relied upon: Annual Report on Form 10-K for the fiscal year ended December 31, 2005; Quarterly Reports on Form 10-Q for the quarters ended September 30, 2005, June 30, 2005 and March 31, 2005.

The Company plans to file an amended Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, by May 10, 2006.

The financial information included in this earnings release has been restated to reflect the impact of the items described above.

Corning has not yet completed its evaluation of internal controls relating to this restatement.

## **2. Asbestos 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 our quarterly results until the date of the contribution to the settlement trust. In the first quarter of 2006, we recorded a charge of \$185 million (pretax and after-tax) including a mark-to-market charge of \$182 million reflecting the increase in Corning's common stock from December 31, 2005 to March 31, 2006 and a \$3 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 \$1,003 million to reflect the estimated fair value of our asbestos liability.

## **3. Provision for Income Taxes**

In the first quarter of 2006, we recorded a \$38 million tax benefit from the release of our valuation allowance on Germany trade taxes due to sustained profitability of certain of our German entities.

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

In the first quarter of 2006, equity in earnings of associated companies includes a \$21 million charge (net of tax) for the impairment of certain long-lived assets of Samsung Corning Co., Ltd., a South Korea-based manufacturer of glass panels and funnels for cathode ray tube television and display monitors.

#### 5. Weighted Average Shares Outstanding

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

	<b>Three months ended March 31,</b>		<b>Three months ended December 31, 2005</b>
	<b><u>2006</u></b>	<b><u>2005 As Restated</u></b>	<b><u>As Restated</u></b>
Basic	1,541	1,411	1,524
Diluted	1,592	1,503	1,524
Diluted used for non-GAAP measures	1,592	1,510	1,571

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

(Unaudited; in millions)

	<u>2006</u>	<u>2005</u>				<u>Total</u>
	<u>Q1</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	
<b>Display Technologies</b>	\$ 547	\$ 320	\$ 415	\$ 489	\$ 518	\$1,742
<b>Telecommunications</b>						
Fiber and cable	205	212	213	216	193	834
Hardware and equipment	<u>192</u>	<u>215</u>	<u>202</u>	<u>182</u>	<u>190</u>	<u>789</u>
	397	427	415	398	383	1,623
<b>Environmental Technologies</b>						
Automotive	121	127	125	121	109	482
Diesel	<u>34</u>	<u>21</u>	<u>21</u>	<u>23</u>	<u>33</u>	<u>98</u>
	155	148	146	144	142	580
<b>Life Sciences</b>	72	74	75	70	63	282
<b>Other</b>	<u>91</u>	<u>81</u>	<u>90</u>	<u>87</u>	<u>94</u>	<u>352</u>
<b>Total</b>	<u>\$1,262</u>	<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 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 December 31, 2005, As Restated**  
(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 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 (Loss)</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.22	\$ 198	\$ 344
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)	0.05	84	84
Asbestos settlement (b)	(0.01)	(14)	(14)
Loss on repurchases and retirements of debt, net (c)		(4)	(4)
Provision for taxes (d)	<u>(0.28)</u>	<u>      </u>	<u>(443)</u>
Total EPS and net income (loss)	<u>\$ (0.02)</u>	<u>\$ 264</u>	<u>\$ (33)</u>

- (a) Corning recorded a gain of \$84 million (before- and after-tax) for the reversal of the cumulative translation account of a wholly-owned foreign subsidiary that was substantially liquidated.
- (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 our quarterly results until the date of the contribution to the settlement trust. In the fourth quarter of 2005, Corning recorded a charge of \$14 million (before- and after-tax), including \$8 million for the change in its common stock price of \$19.66 at December 31, 2005 compared to \$19.33 the common stock price at September 30, 2005 and \$6 million for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.
- (c) Corning recorded a loss of \$4 million (before- and after-tax) for the cash redemption of \$277 million principal amount of zero-coupon convertible debentures.
- (d) Amount reflects a net \$443 million charge to tax expense in 2005 which was primarily to increase the valuation allowance against deferred tax assets resulting from our conclusion that the sale of an appreciated asset no longer met the criteria for a viable tax planning strategy.

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

Corning's free cash flow financial measures for the three months ended March 31, 2006 and December 31, 2005 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP financial measures 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.

	<b>Three months ended <u>March 31, 2006</u></b>	<b>Three months ended <u>December 31, 2005</u></b>
Operating cash flow	\$ 181	\$ 659
Less: Investing cash flow	(480)	(516)
Plus: Short-term investments - acquisitions	858	355
Less: Short-term investments - liquidations	<u>(735)</u>	<u>(289)</u>
Free cash flow	<u>\$ (176)</u>	<u>\$ 209</u>

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE**  
**Three Months Ended March 31, 2005, As Restated**  
(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 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>
Earnings per share (EPS) and net income, excluding special items	\$ 0.17	\$ 108	\$ 257
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)	(0.01)	(19)	(19)
Asbestos settlement (b)	<u>0.01</u>	<u>12</u>	<u>12</u>
Total EPS and net income	<u>\$ 0.17</u>	<u>\$ 101</u>	<u>\$ 250</u>

- (a) In the first quarter of 2005, Corning recorded an impairment charge of \$19 million for an other than temporary decline in the fair value of its investment in Avanex Corporation (Avanex). At March 31, 2005, shares of Avanex were trading at \$1.30 per share compared to Corning's average cost basis of \$2.40 per share. Corning believes it will not recover its cost basis in Avanex shares given the significant decline in its stock price.
- (b) As part of Corning's asbestos settlement arrangement to be incorporated into the Pittsburgh Corning Corporation reorganization plan, Corning will contribute, if the reorganization plan becomes effective, 25 million shares of Corning common stock to a trust. This portion of the asbestos liability requires quarterly adjustment based upon movements in Corning's common stock price prior to contribution of the shares to the trust. In the first quarter of 2005, Corning recorded a credit of \$16 million for the change in its common stock price of \$11.13 at March 31, 2005 offset by \$4 million 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 earnings per share (EPS) excluding special items for the second 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	\$0.24	\$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 second quarter of 2006, Corning will record a charge or credit for the change in its common stock price as of June 30, 2006 compared to \$26.92, the common stock price at March 31, 2006. In addition, Corning will record an adjustment to the asbestos liability to reflect the change in fair value of any of the other components of the proposed asbestos settlement.

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