

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	Three months ended		Year ended	
	December 31,		December 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net sales	\$ 1,200	\$ 1,033	\$ 4,579	\$ 3,854
Cost of sales	<u>673</u>	<u>668</u>	<u>2,595</u>	<u>2,439</u>
Gross margin	527	365	1,984	1,415
Operating expenses:				
Selling, general and administrative expenses	203	174	756	653
Research, development and engineering expenses	123	98	443	355
Amortization of purchased intangibles	2	10	13	38
Restructuring, impairment and other (credits)				
charges (Note 1)	(84)	(5)	(38)	1,789
Asbestos settlement (Note 2)	<u>8</u>	<u>17</u>	<u>197</u>	<u>33</u>
Operating income (loss)	275	71	613	(1,453)
Interest income	21	9	61	25
Interest expense	(26)	(32)	(116)	(141)
Loss on repurchases and retirement of debt, net (Note 3)	(4)		(16)	(36)
Other income, net	<u>2</u>	<u>19</u>	<u>30</u>	<u>25</u>
Income (loss) from continuing operations before income taxes	268	67	572	(1,580)
Provision for income taxes (Note 4)	<u>(487)</u>	<u>(34)</u>	<u>(578)</u>	<u>(1,031)</u>
(Loss) income from continuing operations before minority interests and equity earnings	(219)	33	(6)	(2,611)
Minority interests	1	(3)	(7)	(17)
Equity in earnings of associated companies, net of impairments	<u>186</u>	<u>133</u>	<u>598</u>	<u>443</u>
(Loss) income from continuing operations	(32)	163	585	(2,185)
Income from discontinued operation				<u>20</u>
Net (loss) income	<u>\$ (32)</u>	<u>\$ 163</u>	<u>\$ 585</u>	<u>\$ (2,165)</u>
Basic (loss) earnings per common share from:				
Continuing operations	\$ (0.02)	\$ 0.12	\$ 0.40	\$ (1.57)
Discontinued operation				<u>0.01</u>
Basic (loss) earnings per common share	<u>\$ (0.02)</u>	<u>\$ 0.12</u>	<u>\$ 0.40</u>	<u>\$ (1.56)</u>
Diluted (loss) earnings per common share from:				
Continuing operations	\$ (0.02)	\$ 0.11	\$ 0.38	\$ (1.57)
Discontinued operation				<u>0.01</u>
Diluted (loss) earnings per common share	<u>\$ (0.02)</u>	<u>\$ 0.11</u>	<u>\$ 0.38</u>	<u>\$ (1.56)</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	December 31,	
	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,342	\$ 1,009
Short-term investments, at fair value	<u>1,092</u>	<u>872</u>
Total cash, cash equivalents and short-term investments	2,434	1,881
Trade accounts receivable, net	629	585
Inventories	570	535
Deferred income taxes	44	92
Other current assets	<u>183</u>	<u>188</u>
Total current assets	3,860	3,281
Investments	1,697	1,484
Property, net	4,675	3,941
Goodwill and other intangible assets, net	338	398
Deferred income taxes	10	440
Other assets	<u>595</u>	<u>166</u>
Total Assets	<u>\$ 11,175</u>	<u>\$ 9,710</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings, including current portion of long-term debt	\$ 18	\$ 478
Accounts payable	690	682
Other accrued liabilities	<u>1,508</u>	<u>1,176</u>
Total current liabilities	2,216	2,336
Long-term debt	1,789	2,214
Postretirement benefits other than pensions	593	600
Other liabilities	<u>925</u>	<u>715</u>
Total liabilities	5,523	5,865
Commitments and contingencies		
Minority interests	<u>43</u>	<u>29</u>
Shareholders' equity:		
Preferred stock – Par value \$100.00 per share; Shares authorized: 10 million		
Series C mandatory convertible preferred stock – Shares issued: 5.75 million;		
Shares outstanding: 0 and 637 thousand		64
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion;		
Shares issued: 1,552 million and 1,424 million	776	712
Additional paid-in capital	11,548	10,363
Accumulated deficit	(6,724)	(7,309)
Treasury stock, at cost; Shares held: 16 million	(168)	(162)
Accumulated other comprehensive income	<u>177</u>	<u>148</u>
Total shareholders' equity	5,609	3,816
Total Liabilities and Shareholders' Equity	<u>\$ 11,175</u>	<u>\$ 9,710</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three months ended		Year ended Dec. 31,	
	Dec. 31, 2005	Sept. 30, 2005	2005	2004
Cash Flows from Operating Activities:				
Net (loss) income	\$ (32)	\$ 203	\$ 585	\$ (2,165)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation	126	127	499	485
Amortization of purchased intangibles	2	3	13	38
Asbestos settlement	8	68	197	33
Gain on sale of discontinued operation				(20)
Restructuring, impairment and other (credits) and charges	(84)	28	(38)	1,789
Loss on repurchases and retirement of debt	4		16	36
Stock compensation charges	8	8	29	8
Undistributed earnings of associated companies	(101)	(70)	(297)	(303)
Deferred taxes	436	(18)	425	947
Interest expense on convertible debentures	(26)		(23)	4
Restructuring payments	(3)	(6)	(25)	(85)
Decrease in restricted cash		13	22	34
Customer deposits, net	55	144	428	204
Employee benefit payments (in excess of) less than expense	(10)	15	34	(19)
Changes in certain working capital items:				
Trade accounts receivable	1	11	(77)	(40)
Inventories	(16)	(7)	(62)	(68)
Other current assets	20	26	6	(7)
Accounts payable and other current liabilities, net of restructuring payments	204	38	113	143
Other, net	67	12	94	(5)
Net cash provided by operating activities	659	595	1,939	1,009
Cash Flows from Investing Activities:				
Capital expenditures	(477)	(378)	(1,553)	(857)
Net proceeds from sale of businesses				100
Net proceeds from sale or disposal of assets		1	18	49
Short-term investments - acquisitions	(355)	(610)	(1,668)	(1,685)
Short-term investments - liquidations	289	401	1,452	1,389
Other, net	27	2	39	12
Net cash used in investing activities	(516)	(584)	(1,712)	(992)
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(253)	(3)	(451)	(115)
Proceeds from issuance of long-term debt, net			147	442
Repayments of long-term debt			(102)	(154)
Proceeds from issuance of common stock, net	9	9	365	42
Proceeds from the exercise of stock options	60	83	202	49
Other, net	(2)	(3)	(14)	1
Net cash (used in) provided by financing activities	(186)	86	147	265
Effect of exchange rates on cash	(10)	(3)	(41)	39
Net (decrease) increase in cash and cash equivalents	(53)	94	333	321
Cash and cash equivalents at beginning of period	1,395	1,301	1,009	688
Cash and cash equivalents at end of period	\$ 1,342	\$ 1,395	\$ 1,342	\$ 1,009

Certain amounts for 2004 were reclassified to conform to 2005 presentation.

See accompanying notes to these financial statements.

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

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

	<u>Display Technologies</u>	<u>Telecom- munications</u>	<u>Environmental Technologies</u>	<u>Life Sciences</u>	<u>Unallocated and Other</u>	<u>Consolidated Total</u>
Three months ended December 31, 2005						
Net sales	\$ 518	\$ 383	\$ 142	\$ 63	\$ 94	\$ 1,200
Research, development and engineering expenses (1)	\$ 37	\$ 25	\$ 30	\$ 15	\$ 16	\$ 123
Restructuring, impairment and other (credits) and charges		\$ (84)				\$ (84)
Interest expense (2)	\$ 15	\$ 5	\$ 5	\$ 1		\$ 26
(Provision) benefit for income taxes	\$ (57)	\$ 3	\$ 5	\$ 3	\$ (441)	\$ (487)
Income (loss) before minority interests and equity earnings (3)	\$ 197	\$ 70	\$ (15)	\$ (12)	\$ (459)	\$ (219)
Minority interests (4)		1				1
Equity in earnings of associated companies, net of impairments (5)	<u>131</u>	<u>(1)</u>			<u>56</u>	<u>186</u>
Net income (loss)	<u>\$ 328</u>	<u>\$ 70</u>	<u>\$ (15)</u>	<u>\$ (12)</u>	<u>\$ (403)</u>	<u>\$ (32)</u>
Three months ended December 31, 2004						
Net sales	\$ 311	\$ 423	\$ 130	\$ 71	\$ 98	\$ 1,033
Research, development and engineering expenses (1)	\$ 26	\$ 21	\$ 23	\$ 11	\$ 17	\$ 98
Restructuring, impairment and other charges and (credits)		\$ 1			\$ (6)	\$ (5)
Interest expense (2)	\$ 15	\$ 9	\$ 5	\$ 1	\$ 2	\$ 32
(Provision) benefit for income taxes	\$ (49)	\$ 4	\$ 5		\$ 6	\$ (34)
Income (loss) before minority interests and equity earnings (3)	\$ 67	\$ (9)	\$ (7)		\$ (18)	\$ 33
Minority interests (4)		1			(4)	(3)
Equity in earnings of associated companies, net of impairments (5)	<u>84</u>	<u>(1)</u>	<u>1</u>		<u>49</u>	<u>133</u>
Net income (loss)	<u>\$ 151</u>	<u>\$ (9)</u>	<u>\$ (6)</u>	<u>\$ 0</u>	<u>\$ 27</u>	<u>\$ 163</u>
Year ended December 31, 2005						
Net sales	\$ 1,742	\$ 1,623	\$ 580	\$ 282	\$ 352	\$ 4,579
Research, development and engineering expenses (1)	\$ 121	\$ 96	\$ 114	\$ 53	\$ 59	\$ 443
Restructuring, impairment and other (credits) and charges		\$ (47)			\$ 9	\$ (38)
Interest expense (2)	\$ 55	\$ 30	\$ 20	\$ 4	\$ 7	\$ 116
(Provision) benefit for income taxes	\$ (151)	\$ 4	\$ 7	\$ 6	\$ (444)	\$ (578)
Income (loss) before minority interests and equity earnings (3)	\$ 679	\$ 29	\$ (26)	\$ (25)	\$ (663)	\$ (6)
Minority interests (4)		2			(9)	(7)
Equity in earnings of associated companies, net of impairments (5)	<u>416</u>	<u>5</u>			<u>177</u>	<u>598</u>
Net income (loss)	<u>\$ 1,095</u>	<u>\$ 36</u>	<u>\$ (26)</u>	<u>\$ (25)</u>	<u>\$ (495)</u>	<u>\$ 585</u>

	<u>Display Technologies</u>	<u>Telecom- munications</u>	<u>Environmental Technologies</u>	<u>Life Sciences</u>	<u>Unallocated and Other</u>	<u>Consolidated Total</u>
Year ended December 31, 2004						
Net sales	\$ 1,113	\$ 1,539	\$ 548	\$ 304	\$ 350	\$ 3,854
Research, development and engineering expenses (1)	\$ 83	\$ 90	\$ 87	\$ 38	\$ 57	\$ 355
Restructuring, impairment and other charges and (credits)		\$ 1,798			\$ (9)	\$ 1,789
Interest expense (2)	\$ 52	\$ 50	\$ 22	\$ 5	\$ 12	\$ 141
(Provision) benefit for income taxes	\$ (146)	\$ 29		\$ (6)	\$ (908)	\$ (1,031)
Income (loss) before minority interests and equity earnings (3)	\$ 258	\$ (1,862)	\$ 3	\$ 12	\$ (1,022)	\$ (2,611)
Minority interests (4)		2			(19)	(17)
Equity in earnings of associated companies, net of impairments (5)	288	(33)	1		187	443
Income from discontinued operations					20	20
Net income (loss)	<u>\$ 546</u>	<u>\$ (1,893)</u>	<u>\$ 4</u>	<u>\$ 12</u>	<u>\$ (834)</u>	<u>\$ (2,165)</u>

(1) Non-direct research, development and engineering expenses are allocated to segments based upon direct project spending for each segment.

(2) Interest expense is allocated to segments based on a percentage of segment net operating assets.

(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) Minority interests reflect the following restructuring, impairment and other charges and (credits):

- In 2005, gains of \$4 million for adjustments to prior years' restructuring and impairment reserves associated with Corning Asahi Video Products Company (CAV).
- In 2004, gains from the sale of CAV assets in excess of assumed salvage value of \$17 million, and reversals of CAV severance reserves of \$2 million.

(5) Equity in earnings of associated companies includes the following restructuring and impairment charges:

- In 2005, a \$106 million charge representing Corning's share of Samsung Corning's impairment of certain manufacturing assets and other charges.
- 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.
- In 2004, \$35 million of charges to impair equity method investments in the Telecommunications segment to their estimated fair value.
- In 2004, Dow Corning Corporation recorded charges related to restructuring actions and adjustments to interest liabilities recorded on its emergence from bankruptcy. Our equity earnings included \$21 million related to these 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		Year ended	
	December 31,		December 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net income (loss) of reportable segments	\$ 371	\$ 136	\$ 1,080	\$ (1,331)
Non-reportable operating segments net (loss) income (1)	(4)	6	(100)	16
Unallocated amounts:				
Non-segment loss and other (2)	(14)	(3)	(21)	(13)
Non-segment restructuring, impairment and other (charges) and credits (3)		(1)	(25)	4
Asbestos settlement	(8)	(17)	(197)	(33)
Interest income	21	9	61	25
Loss on repurchases of debt	(4)		(16)	(36)
Provision for income taxes (4)	(444)	(2)	(451)	(933)
Equity in earnings of associated companies (5)	50	35	254	116
Income from discontinued operations				<u>20</u>
Net (loss) income	<u>\$ (32)</u>	<u>\$ 163</u>	<u>\$ 585</u>	<u>\$ (2,165)</u>

- (1) Non-reportable operating segments net (loss) income includes the results of non-reportable operating segments. In 2005, we recorded a charge of \$106 million for our share of Samsung Corning's impairment of certain manufacturing assets and other charges for severance and exit costs.
- (2) Non-segment loss and other includes the results of non-segment operations and other corporate activities.
- (3) For 2005, non-segment restructuring, impairment and other (charges) and credits includes impairment charges for the other than temporary decline in the market value of Avanex shares.
- (4) Provision for income taxes includes tax associated with non-segment restructuring, impairment and other (charges) and credits. We recognized a net \$443 million charge to tax expense in 2005 which was primarily to increase the valuation allowance against deferred tax assets. In 2004, we increased our valuation allowance by \$937 million. Refer to Note 4 (Provision for Income Taxes).
- (5) Equity in earnings of associated companies includes equity earnings in Dow Corning Corporation.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

In the fourth quarter of 2005, we recorded a gain of \$84 million (pretax and after-tax) for the reversal of the cumulative translation account of O.T.I. S.r.l. (OTI), a wholly-owned foreign subsidiary of Corning, upon OTI's substantial liquidation. The photonics' business in Milan, Italy, was the sole operation of OTI, whose results were included in the Telecommunications segment. Subsequent to Corning's agreement to sell its photonics business operations to Avanex in 2003, Corning began liquidating OTI. In October 2005, the assets were substantially liquidated and OTI's cumulative translation account was reversed.

2. Asbestos Settlement

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. Accordingly, we recorded a charge of \$298 million in the first quarter of 2003. The charge included the value of 25 million shares of Corning common stock that we will contribute as part of the settlement if the PCC plan of reorganization is approved and becomes effective. Also at that time, we indicated that any changes in the value of our common stock contribution would be recognized in our quarterly results through the date of contribution to the settlement trust. As required, we recorded a mark-to-market charge of \$8 million (pretax and after-tax) in the fourth quarter of 2005 reflecting the increase in Corning's common stock from September 30, 2005 to December 31, 2005. Beginning with the first quarter of 2003, we have recorded total net charges of \$643 million to reflect the initial settlement and to mark-to-market the value of our common stock.

3. Loss on Repurchases and Retirement of Debt, Net

In the fourth quarter of 2005, we redeemed for cash the \$277 million principal amount of our zero coupon convertible debentures. We recognized a loss of \$4 million (pretax and after-tax) on this transaction.

4. Provision for Income Taxes

In the fourth quarter of 2005, we recognized a net \$443 million tax expense charge which was primarily to increase the valuation allowance against deferred tax assets. This adjustment resulted primarily from our conclusion that the sale of an appreciated asset was no longer prudent, and correspondingly, no longer met the criteria for a viable tax planning strategy in Statement of Financial Accounting Standard No. 109, Accounting for Income Taxes. In 2004, we increased our valuation allowance by \$937 million.

5. Weighted Average Shares Outstanding

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

	Three months ended		Year ended	
	December 31,		December 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Basic	1,524	1,404	1,464	1,386
Diluted	1,524	1,510	1,535	1,386
Diluted used for non-GAAP measures	1,571	1,510	1,539	1,497

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
QUARTERLY SALES INFORMATION

(Unaudited; in millions)

	2005				
	Three Months Ended				Total
	March 31	June 30	Sept. 30	Dec. 31	
Display Technologies	\$ 320	\$ 415	\$ 489	\$ 518	\$1,742
Telecommunications					
Fiber and cable	212	213	216	193	834
Hardware and equipment	<u>215</u>	<u>202</u>	<u>182</u>	<u>190</u>	<u>789</u>
	427	415	398	383	1,623
Environmental Technologies					
Automotive	127	125	121	109	482
Diesel	<u>21</u>	<u>21</u>	<u>23</u>	<u>33</u>	<u>98</u>
	148	146	144	142	580
Life Sciences	74	75	70	63	282
Other	<u>81</u>	<u>90</u>	<u>87</u>	<u>94</u>	<u>352</u>
Total	<u>\$1,050</u>	<u>\$1,141</u>	<u>\$1,188</u>	<u>\$1,200</u>	<u>\$4,579</u>

	2004				
	Three Months Ended				Total
	March 31	June 30	Sept. 30	Dec. 31	
Display Technologies	\$ 230	\$ 277	\$ 295	\$ 311	\$1,113
Telecommunications					
Fiber and cable	149	192	202	212	755
Hardware and equipment	<u>163</u>	<u>200</u>	<u>210</u>	<u>211</u>	<u>784</u>
	312	392	412	423	1,539
Environmental Technologies					
Automotive	125	121	120	113	479
Diesel	<u>16</u>	<u>20</u>	<u>16</u>	<u>17</u>	<u>69</u>
	141	141	136	130	548
Life Sciences	79	79	75	71	304
Other	<u>82</u>	<u>82</u>	<u>88</u>	<u>98</u>	<u>350</u>
Total	<u>\$ 844</u>	<u>\$ 971</u>	<u>\$1,006</u>	<u>\$1,033</u>	<u>\$3,854</u>

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended December 31, 2005
(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	\$ 196	\$ 339
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)	0.05	84	84
Asbestos settlement (b)	(0.01)	(8)	(8)
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>\$ 268</u>	<u>\$ (32)</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 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. 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 fourth quarter of 2005, Corning recorded a charge of \$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.
- (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
Year Ended December 31, 2005

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

Corning's net income and earnings per share (EPS) excluding special items for the year ended December 31, 2005 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	<u>Per Share</u>	<u>Income (Loss) Before Income Taxes</u>		<u>Net Income (Loss)</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.85	\$ 747		\$ 1,302
<i>Special items:</i>				
Restructuring, impairment and other (charges) and credits (a)	0.02	38		34
Asbestos settlement (b)	(0.13)	(197)		(197)
Loss on repurchases and retirement of debt, net (c)	(0.01)	(16)		(16)
(Provision) benefit for income taxes (d)	(0.29)			(443)
Equity in earnings of associated companies, net of impairments (e)	<u>(0.06)</u>	<u> </u>		<u>(95)</u>
Total EPS and net loss	<u>\$ 0.38</u>	<u>\$ 572</u>		<u>\$ 585</u>

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Year Ended December 31, 2004

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

Corning's net income and earnings per share (EPS) excluding special items for the year ended December 31, 2004 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	<u>Per Share</u>	<u>Income (Loss) Before Income Taxes</u>	<u>Net Income (Loss)</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.45	\$ 278	\$ 674
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)	(1.29)	(1,789)	(1,802)
Asbestos settlement (b)	(0.01)	(33)	(30)
Loss on repurchases and retirement of debt, net (c)	(0.02)	(36)	(34)
(Provision) benefit for income taxes (d)	(0.67)		(937)
Equity in earnings of associated companies, net of impairments (e)	(0.03)		(56)
Income from discontinued operations (f)	<u>0.01</u>	<u> </u>	<u>20</u>
Total EPS and net loss	<u>\$ (1.56)</u>	<u>\$(1,580)</u>	<u>\$(2,165)</u>

- (a) Corning recorded charges of \$1.789 billion (\$1.802 billion after-tax and minority interest) primarily related to the impairment of goodwill and fixed assets in the Telecommunications segment.
- (b) As 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. 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. For 2004, Corning recorded a charge of \$33 million (\$30 million after-tax) for the change in its common stock price of \$11.77 at December 31, 2004 compared to \$10.43, the common stock price at December 31, 2003.
- (c) During 2004, Corning retired a significant portion of long-term debt, resulting in a loss of \$36 million (\$34 million after-tax).
- (d) In the third quarter of 2004, Corning increased income tax expense by \$937 million as a result of the company's decision to provide a valuation allowance against a significant portion of its deferred tax assets.
- (e) This amount reflects charges of \$35 million for impairments of certain non-strategic equity method investments in Corning's Telecommunications segment and \$21 million related to restructuring actions and bankruptcy related charges recorded by Dow Corning Corporation.
- (f) This gain relates to the final settlement of escrowed proceeds from the 2002 sale of Corning's precision lens business to 3M Company.

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 earnings per share (EPS) excluding special items for the first 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	\$0.21	\$0.23
<i>Special items:</i>		
Restructuring, impairment and other (charges) and credits (a)		
Asbestos settlement (b)		
(Loss) gain on repurchases and retirements of debt, net	_____	_____
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 first quarter of 2006, Corning will record a charge or credit for the change in its common stock price as of March 31, 2006 compared to \$19.66, the common stock price at December 31, 2005.

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.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months and Year Ended December 31, 2005
(Unaudited; amounts in millions)

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

	Three months ended <u>December 31, 2005</u>	Year ended <u>December 31, 2005</u>
Operating cash flow	\$ 659	\$ 1,939
Less: Investing cash flow	(516)	(1,712)
Plus: Short-term investments - acquisitions	355	1,668
Less: Short-term investments - liquidations	<u>(289)</u>	<u>(1,452)</u>
Free cash flow	<u>\$ 209</u>	<u>\$ 443</u>