

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

	For the three months ended	
	March 31,	
	<u>2005</u>	<u>2004</u>
Net sales	\$ 1,050	\$ 844
Cost of sales	<u>621</u>	<u>544</u>
Gross margin	429	300
Operating expenses:		
Selling, general and administrative expenses	184	160
Research, development and engineering expenses	98	84
Amortization of purchased intangibles	5	10
Restructuring, impairment and other charges and (credits)	19	34
Asbestos settlement	<u>(16)</u>	<u>19</u>
Operating income (loss)	139	(7)
Interest income	10	6
Interest expense	(37)	(36)
Loss on repurchases and retirement of debt, net		(23)
Other expense, net	<u>(9)</u>	<u>(4)</u>
Income (loss) before income taxes	103	(64)
(Provision) benefit for income taxes	<u>(19)</u>	<u>12</u>
Income (loss) before minority interests and equity earnings	84	(52)
Minority interests	(1)	
Equity in earnings of associated companies	<u>166</u>	<u>107</u>
Net income	<u>\$ 249</u>	<u>\$ 55</u>
Basic earnings per common share	<u>\$ 0.18</u>	<u>\$ 0.04</u>
Diluted earnings per common share	<u>\$ 0.17</u>	<u>\$ 0.04</u>
Shares used in computing per share amounts for:		
Basic earnings per common share	<u>1,411</u>	<u>1,358</u>
Diluted earnings per common share	<u>1,503</u>	<u>1,437</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

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

	<u>March 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 847	\$ 1,009
Short-term investments, at fair value	<u>700</u>	<u>872</u>
Total cash, cash equivalents and short-term investments	1,547	1,881
Trade accounts receivable, net of doubtful accounts and allowances	621	585
Inventories	562	535
Deferred income taxes	90	94
Other current assets	<u>208</u>	<u>188</u>
Total current assets	3,028	3,283
Investments	1,485	1,484
Property, net	4,096	3,941
Goodwill and other intangible assets, net	387	398
Deferred income taxes	478	472
Other assets	<u>159</u>	<u>166</u>
Total Assets	<u>\$ 9,633</u>	<u>\$ 9,744</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings, including current portion of long-term debt	\$ 288	\$ 478
Accounts payable	667	682
Other accrued liabilities	<u>1,001</u>	<u>1,178</u>
Total current liabilities	1,956	2,338
Long-term debt	2,125	2,214
Postretirement benefits other than pensions	595	600
Other liabilities	<u>740</u>	<u>747</u>
Total liabilities	<u>5,416</u>	<u>5,899</u>
Commitments and contingencies		
Minority interests	29	29
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: 633 thousand and 637 thousand	63	64
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion;		
Shares issued: 1,437 million and 1,424 million	719	712
Additional paid-in capital	10,484	10,363
Accumulated deficit	(7,060)	(7,309)
Treasury stock, at cost; Shares held: 15 million and 16 million	(155)	(162)
Accumulated other comprehensive income	<u>137</u>	<u>148</u>
Total shareholders' equity	<u>4,188</u>	<u>3,816</u>
Total Liabilities and Shareholders' Equity	<u>\$ 9,633</u>	<u>\$ 9,744</u>

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

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

	For the three months ended	
	March 31,	
	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities:		
Income from continuing operations	\$ 249	\$ 55
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation	120	120
Amortization of purchased intangibles	5	10
Asbestos settlement	(16)	19
Restructuring, impairment and other charges and (credits)	19	34
Loss on repurchases and retirement of debt		23
Undistributed earnings of associated companies	(23)	(29)
Deferred taxes	3	(40)
Restructuring payments	(9)	(34)
Customer deposits	20	
Changes in certain working capital items:		
Trade accounts receivable	(54)	(17)
Inventories	(39)	(32)
Other current assets	(16)	3
Accounts payable and other current liabilities, net of restructuring payments	(151)	(66)
Other, net	34	(1)
Net cash provided by operating activities	<u>142</u>	<u>45</u>
Cash Flows from Investing Activities:		
Capital expenditures	(323)	(134)
Short-term investments - acquisitions	(314)	(544)
Short-term investments - liquidations	486	421
Other, net	2	11
Net cash used in investing activities	<u>(149)</u>	<u>(246)</u>
Cash Flows from Financing Activities:		
Repayments of short-term borrowings and current portion of long-term debt	(192)	(2)
Proceeds from issuance of long-term debt, net	48	396
Retirements of long-term debt	(2)	(141)
Proceeds from issuance of common stock, net	12	11
Proceeds from the exercise of stock options	9	12
Other, net	(5)	(2)
Net cash (used in) provided by financing activities	<u>(130)</u>	<u>274</u>
Effect of exchange rates on cash	(25)	(1)
Net (decrease) increase in cash and cash equivalents	(162)	72
Cash and cash equivalents at beginning of period	<u>1,009</u>	<u>688</u>
Cash and cash equivalents at end of period	<u>\$ 847</u>	<u>\$ 760</u>

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

CORNING INCORPORATED
QUARTERLY SALES INFORMATION
(Unaudited; in millions)

	<u>2005</u>	<u>2004</u>				
	<u>Q1</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Display Technologies	\$ 320	\$ 230	\$ 277	\$ 295	\$ 311	\$1,113
Telecommunications						
Fiber and cable	212	149	192	202	212	755
Hardware and equipment	<u>215</u>	<u>163</u>	<u>200</u>	<u>210</u>	<u>211</u>	<u>784</u>
	427	312	392	412	423	1,539
Environmental Technologies						
Automotive	127	125	121	119	114	479
Diesel	<u>21</u>	<u>16</u>	<u>20</u>	<u>17</u>	<u>16</u>	<u>69</u>
	148	141	141	136	130	548
Life Sciences	74	79	79	75	71	304
Other	<u>81</u>	<u>82</u>	<u>82</u>	<u>88</u>	<u>98</u>	<u>350</u>
Total	<u>\$1,050</u>	<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 March 31, 2005

(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	\$ 106	\$ 252
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)	(0.01)	(19)	(19)
Asbestos settlement (b)	<u>0.01</u>	<u>16</u>	<u>16</u>
Total EPS and net income	<u>\$ 0.17</u>	<u>\$ 103</u>	<u>\$ 249</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 compared to \$11.77, the common stock price at December 31, 2004.

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

Three Months 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 fourth quarter of 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 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	\$ 0.12	\$ 79	\$ 177
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)		5	3
Asbestos settlement (b)	<u>(0.01)</u>	<u>(17)</u>	<u>(17)</u>
Total EPS and net income	<u>\$ 0.11</u>	<u>\$ 67</u>	<u>\$ 163</u>

- (a) Corning recorded net credits of \$5 million (\$3 million after-tax and minority interest) for adjustments to prior periods' restructuring and impairment charges, primarily 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. In the fourth quarter of 2004, Corning recorded a charge of \$17 million for the change in its common stock price of \$11.77 at December 31, 2004 compared to \$11.08, the common stock price at September 30, 2004.

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

Three Months Ended March 31, 2005

(Unaudited; amounts in millions)

Corning's free cash flow financial measures for the three months ended March 31, 2005 and 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 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.

	<u>For the three months ended March 31, 2005</u>	<u>For the three months ended December 31, 2004</u>
Operating cash flow	\$ 142	\$ 366
Less: Investing cash flow	(149)	(359)
Plus: Short-term investments - acquisitions	314	284
Less: Short-term investments - liquidations	<u>(486)</u>	<u>(217)</u>
Free cash flow	<u>\$ (179)</u>	<u>\$ 74</u>

**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 earnings per share (EPS) excluding special items for the second quarter of 2005 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	\$ 0.17	\$ 0.19
<i>Special items:</i>		
Restructuring, impairment and other (charges) and credits (a)		
Asbestos settlement (b)		
(Loss) gain on repurchases and retirements of debt, net (c)	_____	_____
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 2005, Corning will record a charge or credit for the change in its common stock price as of June 30, 2005 compared to \$11.13, the common stock price at March 31, 2005.
- (c) From time to time, Corning may repurchase or retire debt, which could result in a gain or loss during the quarter.

Please note that the company may pursue other financing, restructuring and divestiture activities at any time in the future, and that the potential impact of these events is not included within Corning's second quarter 2005 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.