

**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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net sales	\$ 1,141	\$ 971	\$ 2,191	\$ 1,815
Cost of sales	<u>658</u>	<u>625</u>	<u>1,279</u>	<u>1,169</u>
Gross margin	483	346	912	646
Operating expenses:				
Selling, general and administrative expenses	191	166	375	326
Research, development and engineering expenses	104	85	202	169
Amortization of purchased intangibles	3	9	8	19
Restructuring, impairment and other charges and (credits) (Note 1)	(1)	(34)	18	
Asbestos settlement (Note 2)	<u>137</u>	<u>47</u>	<u>121</u>	<u>66</u>
Operating income	49	73	188	66
Interest income	13	4	23	10
Interest expense	(28)	(37)	(65)	(73)
Loss on repurchases and retirement of debt, net (Note 3)	(12)	(9)	(12)	(32)
Other income, net	<u>20</u>	<u>5</u>	<u>11</u>	<u>1</u>
Income (loss) before income taxes	42	36	145	(28)
Provision for income taxes (Note 4)	<u>(44)</u>	<u>(24)</u>	<u>(63)</u>	<u>(12)</u>
(Loss) income before minority interests and equity earnings	(2)	12	82	(40)
Minority interests	(5)	(11)	(6)	(11)
Equity in earnings of associated companies (Note 5)	<u>172</u>	<u>107</u>	<u>338</u>	<u>214</u>
Net income	<u>\$ 165</u>	<u>\$ 108</u>	<u>\$ 414</u>	<u>\$ 163</u>
Basic earnings per common share	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ 0.29</u>	<u>\$ 0.12</u>
Diluted earnings per common share	<u>\$ 0.11</u>	<u>\$ 0.07</u>	<u>\$ 0.28</u>	<u>\$ 0.11</u>
Shares used in computing per share amounts for:				
Basic earnings per common share	<u>1,438</u>	<u>1,383</u>	<u>1,422</u>	<u>1,371</u>
Diluted earnings per common share	<u>1,517</u>	<u>1,495</u>	<u>1,508</u>	<u>1,446</u>

See accompanying notes to these financial statements.

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

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

	<u>June 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,301	\$ 1,009
Short-term investments, at fair value	<u>814</u>	<u>872</u>
Total cash, cash equivalents and short-term investments	2,115	1,881
Trade accounts receivable, net	645	585
Inventories	552	535
Deferred income taxes	93	94
Other current assets	<u>223</u>	<u>188</u>
Total current assets	3,628	3,283
Investments	1,546	1,484
Property, net	4,220	3,941
Goodwill and other intangible assets, net	383	398
Deferred income taxes	464	472
Other assets	<u>156</u>	<u>166</u>
<b>Total Assets</b>	<b><u>\$ 10,397</u></b>	<b><u>\$ 9,744</u></b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Short-term borrowings, including current portion of long-term debt	\$ 288	\$ 478
Accounts payable	609	682
Other accrued liabilities	<u>1,214</u>	<u>1,178</u>
Total current liabilities	2,111	2,338
Long-term debt	1,915	2,214
Postretirement benefits other than pensions	593	600
Other liabilities	<u>887</u>	<u>747</u>
Total liabilities	<u>5,506</u>	<u>5,899</u>
Commitments and contingencies		
Minority interests	28	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: 616 thousand and 637 thousand	62	64
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion;		
Shares issued: 1,487 million and 1,424 million	743	712
Additional paid-in capital	11,043	10,363
Accumulated deficit	(6,895)	(7,309)
Treasury stock, at cost; Shares held: 16 million	(158)	(162)
Accumulated other comprehensive income	<u>68</u>	<u>148</u>
Total shareholders' equity	<u>4,863</u>	<u>3,816</u>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 10,397</u></b>	<b><u>\$ 9,744</u></b>

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

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>2005</u>	<u>March 31,</u> <u>2005</u>	<u>June 30,</u>	
			<u>2005</u>	<u>2004</u>
<b>Cash Flows from Operating Activities:</b>				
Net income	\$ 165	\$ 249	\$ 414	\$ 163
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	126	120	246	240
Amortization of purchased intangibles	3	5	8	19
Restructuring, impairment and other charges and (credits)	(1)	19	18	
Asbestos settlement	137	(16)	121	66
Loss on repurchases and retirement of debt, net	12		12	32
Undistributed earnings of associated companies	(103)	(23)	(126)	(92)
Minority interests, net of dividends paid	5	1	6	11
Deferred taxes	4	3	7	(35)
Restructuring payments	(7)	(9)	(16)	(56)
Customer deposits, net	212	20	232	
Changes in certain working capital items:				
Trade accounts receivable	(35)	(54)	(89)	(43)
Inventories		(39)	(39)	(33)
Other current assets	(24)	(16)	(40)	7
Accounts payable and other current liabilities, net of restructuring payments	22	(151)	(129)	(6)
Other, net	<u>27</u>	<u>33</u>	<u>60</u>	<u>34</u>
<b>Net cash provided by operating activities</b>	<u>543</u>	<u>142</u>	<u>685</u>	<u>307</u>
<b>Cash Flows from Investing Activities:</b>				
Capital expenditures	(375)	(323)	(698)	(302)
Net proceeds from sale or disposal of assets	16	1	17	35
Short-term investments - acquisitions	(389)	(314)	(703)	(1,102)
Short-term investments - liquidations	276	486	762	745
Other, net	<u>9</u>	<u>1</u>	<u>10</u>	<u>5</u>
<b>Net cash used in investing activities</b>	<u>(463)</u>	<u>(149)</u>	<u>(612)</u>	<u>(619)</u>
<b>Cash Flows from Financing Activities:</b>				
Repayments of short-term borrowings and current portion of long-term debt	(3)	(192)	(195)	(9)
Proceeds from issuance of long-term debt, net	99	48	147	396
Repayments of long-term debt	(100)	(2)	(102)	(150)
Proceeds from issuance of common stock, net	332	12	344	24
Proceeds from exercise of stock options	50	9	59	27
Other, net	<u>(1)</u>	<u>(5)</u>	<u>(6)</u>	<u>(5)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>377</u>	<u>(130)</u>	<u>247</u>	<u>283</u>
Effect of exchange rates on cash	<u>(3)</u>	<u>(25)</u>	<u>(28)</u>	<u>(5)</u>
Net increase (decrease) in cash and cash equivalents	454	(162)	292	(34)
Cash and cash equivalents at beginning of period	<u>847</u>	<u>1,009</u>	<u>1,009</u>	<u>688</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,301</u>	<u>\$ 847</u>	<u>\$ 1,301</u>	<u>\$ 654</u>

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

See accompanying notes to these financial statements.

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

	<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>
<b>Three months ended June 30, 2005</b>						
Net sales	\$ 415	\$ 415	\$ 146	\$ 75	\$ 90	\$ 1,141
Research, development and engineering expenses (1)	\$ 27	\$ 22	\$ 29	\$ 12	\$ 14	\$ 104
Restructuring, impairment and other charges and (credits)		\$ 8			\$ (9)	\$ (1)
Interest expense (2)	\$ 12	\$ 8	\$ 4	\$ 1	\$ 3	\$ 28
(Provision) benefit for income taxes	\$ (47)	\$ 1	\$ 2	\$ 2	\$ (2)	\$ (44)
Income (loss) before minority interests and equity earnings (3)	\$ 156	\$ (13)	\$ (4)	\$ (4)	\$ (137)	\$ (2)
Minority interests (4)					(5)	(5)
Equity in earnings of associated companies	<u>87</u>				<u>85</u>	<u>172</u>
Net income (loss)	<u>\$ 243</u>	<u>\$ (13)</u>	<u>\$ (4)</u>	<u>\$ (4)</u>	<u>\$ (57)</u>	<u>\$ 165</u>
<b>Three months ended June 30, 2004</b>						
Net sales	\$ 277	\$ 392	\$ 141	\$ 79	\$ 82	\$ 971
Research, development and engineering expenses (1)	\$ 19	\$ 23	\$ 21	\$ 9	\$ 13	\$ 85
Restructuring, impairment and other charges and (credits)		\$ (1)			\$ (33)	\$ (34)
Interest expense (2)	\$ 11	\$ 16	\$ 5	\$ 2	\$ 3	\$ 37
(Provision) benefit for income taxes	\$ (32)	\$ 11	\$ (2)	\$ (2)	\$ 1	\$ (24)
Income (loss) before minority interests and equity earnings (3)	\$ 64	\$ (21)	\$ 4	\$ 5	\$ (40)	\$ 12
Minority interests (4)					(11)	(11)
Equity in earnings of associated companies	<u>71</u>				<u>36</u>	<u>107</u>
Net income (loss)	<u>\$ 135</u>	<u>\$ (21)</u>	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ (15)</u>	<u>\$ 108</u>
<b>Six months ended June 30, 2005</b>						
Net sales	\$ 735	\$ 842	\$ 294	\$ 149	\$ 171	\$ 2,191
Research, development and engineering expenses (1)	\$ 52	\$ 44	\$ 55	\$ 23	\$ 28	\$ 202
Restructuring, impairment and other charges and (credits)		\$ 8			\$ 10	\$ 18
Interest expense (2)	\$ 28	\$ 19	\$ 10	\$ 2	\$ 6	\$ 65
(Provision) benefit for income taxes	\$ (64)	\$ (1)	\$ 2	\$ 2	\$ (2)	\$ (63)
Income (loss) before minority interests and equity earnings (3)	\$ 236	\$ (4)	\$ (6)	\$ (6)	\$ (138)	\$ 82
Minority interests (4)					(6)	(6)
Equity in earnings of associated companies	<u>168</u>				<u>170</u>	<u>338</u>
Net income (loss)	<u>\$ 404</u>	<u>\$ (4)</u>	<u>\$ (6)</u>	<u>\$ (6)</u>	<u>\$ 26</u>	<u>\$ 414</u>

	Display Technologies	Telecom- munications	Environmental Technologies	Life Sciences	Unallocated and Other	Consolidated Total
<b>Six months ended June 30, 2004</b>						
Net sales	\$ 507	\$ 704	\$ 282	\$ 158	\$ 164	\$ 1,815
Research, development and engineering expenses (1)	\$ 35	\$ 48	\$ 41	\$ 18	\$ 27	\$ 169
Restructuring, impairment and other charges and (credits)		\$ (5)			\$ 5	
Interest expense (2)	\$ 22	\$ 32	\$ 10	\$ 3	\$ 6	\$ 73
(Provision) benefit for income taxes	\$ (58)	\$ 34	\$ (5)	\$ (5)	\$ 22	\$ (12)
Income (loss) before minority interests and equity earnings (3)	\$ 117	\$ (68)	\$ 10	\$ 10	\$ (109)	\$ (40)
Minority interests (4)		1			(12)	(11)
Equity in earnings of associated companies	<u>136</u>	<u>3</u>			<u>75</u>	<u>214</u>
Net income (loss)	<u>\$ 253</u>	<u>\$ (64)</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ (46)</u>	<u>\$ 163</u>

- (1) Non-direct research, development and engineering expenses are allocated based upon direct project spending for each segment.
- (2) Interest expense is allocated to segments based on a percentage of segment net operating assets. Consolidated subsidiaries with independent capital structures do not receive additional allocations of interest expense.
- (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) For the three and six months ended June 30, 2005, minority interests include gains of \$4 million for adjustments to prior years' restructuring and impairment reserves associated with Corning Asahi Video Products (CAV). For the three and six months ended June 30, 2004, minority interests include gains of \$13 and \$14, respectively, from the sale of CAV assets in excess of assumed salvage value.

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

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Net income of reportable segments	\$ 222	\$ 123	\$ 388	\$ 209
Non-reportable operating segments net income (1)	13	19	23	1
Unallocated amounts:				
Non-segment loss and other (2)	(1)	(4)	(3)	(7)
Non-segment restructuring, impairment and other (charges) and credits (3)	(6)	4	(25)	4
Asbestos settlement	(137)	(47)	(121)	(66)
Interest income	13	4	23	10
Loss on repurchases of debt	(12)	(9)	(12)	(32)
Benefit for income taxes (4)	(4)	1	(4)	3
Equity in earnings of associated companies (5)	<u>77</u>	<u>17</u>	<u>145</u>	<u>41</u>
Net income	<u>\$ 165</u>	<u>\$ 108</u>	<u>\$ 414</u>	<u>\$ 163</u>

- (1) Non-reportable operating segments net income includes the results of non-reportable operating segments.
- (2) Non-segment loss and other includes the results of non-segment operations and other corporate activities.
- (3) For the three and six months ended June 30, 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. Refer to Note 1 (Restructuring, Impairment and Other Charges and Credits).
- (4) Benefit for income taxes includes taxes associated with non-segment restructuring, impairment and other (charges) and credits.
- (5) Equity in earnings of associated companies includes amounts derived from Dow Corning.

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

(Unaudited)

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

In the second quarter of 2005, we 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 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 Financial Accounting Standards Board Statement of Financial Accounting Standards 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 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.

**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 \$137 million in the second quarter of 2005 reflecting the increase in Corning's common stock from March 31 to June 30, 2005. Beginning with the first quarter of 2003, we have recorded total net charges of \$567 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 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.

**4. Provision for Income Taxes**

For the three months ended June 30, 2005, the tax provision reflected the impact of maintaining a valuation allowance on the majority of our net deferred tax assets. As a result, U.S. (federal, state and local) and certain foreign income taxes attributable to pretax income or losses were not provided. The most significant item for which a U.S. tax benefit was not provided was the asbestos settlement charge. Such items increased our effective tax rate from 23% to 105%.

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

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**  
**QUARTERLY SALES INFORMATION**

(Unaudited; in millions)

	<b>2005</b>				
	<b>Three Months Ended</b>		<b>Six Months Ended</b>		
	<b>March 31</b>	<b>June 30</b>	<b>June 30</b>		
<b>Display Technologies</b>	\$ 320	\$ 415	\$ 735		
<b>Telecommunications</b>					
Fiber and cable	212	213	425		
Hardware and equipment	<u>215</u>	<u>202</u>	<u>417</u>		
	427	415	842		
<b>Environmental Technologies</b>					
Automotive	127	125	252		
Diesel	<u>21</u>	<u>21</u>	<u>42</u>		
	148	146	294		
<b>Life Sciences</b>	74	75	149		
<b>Other</b>	<u>81</u>	<u>90</u>	<u>171</u>		
<b>Total</b>	<u>\$1,050</u>	<u>\$1,141</u>	<u>\$2,191</u>		
	<b>2004</b>				
	<b>Three Months Ended</b>				
	<b>March 31</b>	<b>June 30</b>	<b>Sept. 30</b>	<b>Dec. 31</b>	<b>Total</b>
<b>Display Technologies</b>	\$ 230	\$ 277	\$ 295	\$ 311	\$1,113
<b>Telecommunications</b>					
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
<b>Environmental Technologies</b>					
Automotive	125	121	119	114	479
Diesel	<u>16</u>	<u>20</u>	<u>17</u>	<u>16</u>	<u>69</u>
	141	141	136	130	548
<b>Life Sciences</b>	79	79	75	71	304
<b>Other</b>	<u>82</u>	<u>82</u>	<u>88</u>	<u>98</u>	<u>350</u>
<b>Total</b>	<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 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	\$ 190	\$ 306
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)		1	(3)
Asbestos settlement (b)	(0.09)	(137)	(137)
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>\$ 42</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 part of Corning's asbestos settlement arrangement to be incorporated into the Pittsburgh Corning Corporation plan of reorganization, 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 second quarter of 2005, Corning recorded a charge of \$137 million for the change in its common stock price of \$16.62 at June 30, 2005 compared to \$11.13, the common stock price at March 31, 2005.

(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, 2005**  
(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months ended June 30, 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 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 <u>June 30, 2005</u></b>
Cash flows from operating activities	\$ 543
Less: Cash flows from investing activities	(463)
Plus: Short-term investments - acquisitions	389
Less: Short-term investments - liquidations	<u>(276)</u>
Free cash flow	<u>\$ 193</u>

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

**Three Months Ended September 30, 2005**

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

Corning's earnings per share (EPS) excluding special items for the third 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.

	<b>Range</b>	
Guidance: EPS excluding special items	\$ 0.20	\$ 0.22
<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)	_____	_____

EPS

**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 years' 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 plan of reorganization, 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 adjustment based upon movements in Corning's common stock price prior to contribution of the shares to the trust. In the third quarter of 2005, Corning will record a charge or credit for the change in its common stock price as of September 30, 2005 compared to \$16.62, the common stock price at June 30, 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 third 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.*