

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited; in millions, except per share amounts)

	For the three months ended		For the year ended	
	December 31,		December 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Net sales	\$ 1,033	\$ 820	\$ 3,854	\$ 3,090
Cost of sales	<u>668</u>	<u>578</u>	<u>2,439</u>	<u>2,241</u>
Gross margin	365	242	1,415	849
Operating expenses:				
Selling, general and administrative expenses	174	152	653	599
Research, development and engineering expenses	98	86	355	344
Amortization of purchased intangibles	10	9	38	37
Restructuring, impairment and other charges and (credits)	(5)	21	1,789	111
Asbestos settlement	<u>17</u>	<u>25</u>	<u>33</u>	<u>413</u>
Operating income (loss)	71	(51)	(1,453)	(655)
Interest income	9	8	25	32
Interest expense	(32)	(36)	(141)	(154)
(Loss) gain on repurchases and retirement of debt, net			(36)	19
Other income (expense), net	<u>19</u>	<u>(12)</u>	<u>25</u>	<u>(1)</u>
Income (loss) before income taxes	67	(91)	(1,580)	(759)
(Provision) benefit for income taxes	<u>(34)</u>	<u>46</u>	<u>(1,031)</u>	<u>254</u>
Income (loss) before minority interests and equity earnings	33	(45)	(2,611)	(505)
Minority interests	(3)	1	(17)	73
Equity in earnings of associated companies, net of impairments	<u>133</u>	<u>15</u>	<u>443</u>	<u>209</u>
Income (loss) from continuing operations	163	(29)	(2,185)	(223)
Income from discontinued operations	<u>          </u>	<u>          </u>	<u>20</u>	<u>          </u>
Net income (loss)	<u>\$ 163</u>	<u>\$ (29)</u>	<u>\$ (2,165)</u>	<u>\$ (223)</u>
Basic earnings (loss) per common share from:				
Continuing operations	\$ 0.12	\$ (0.02)	\$ (1.57)	\$ (0.18)
Discontinued operations	<u>          </u>	<u>          </u>	<u>0.01</u>	<u>          </u>
Basic earnings (loss) per common share	<u>\$ 0.12</u>	<u>\$ (0.02)</u>	<u>\$ (1.56)</u>	<u>\$ (0.18)</u>
Diluted earnings (loss) per common share from:				
Continuing operations	\$ 0.11	\$ (0.02)	\$ (1.57)	\$ (0.18)
Discontinued operations	<u>          </u>	<u>          </u>	<u>0.01</u>	<u>          </u>
Diluted earnings (loss) per common share	<u>\$ 0.11</u>	<u>\$ (0.02)</u>	<u>\$ (1.56)</u>	<u>\$ (0.18)</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

(Unaudited; in millions, except per share amounts)

	December 31,	
	2004	2003
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,224	\$ 833
Short-term investments, at fair value	657	433
Total cash, cash equivalents and short-term investments	1,881	1,266
Trade accounts receivable, net	585	525
Inventories	535	467
Deferred income taxes	92	242
Other current assets	188	194
Total current assets	3,281	2,694
Investments	1,484	1,045
Property, net	3,941	3,620
Goodwill and other intangible assets, net	398	1,901
Deferred income taxes	440	1,225
Other assets	166	267
<b>Total Assets</b>	<b>\$ 9,710</b>	<b>\$ 10,752</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Loans payable	\$ 478	\$ 146
Accounts payable	682	333
Other accrued liabilities	1,176	1,074
Total current liabilities	2,336	1,553
Long-term debt	2,214	2,668
Postretirement benefits other than pensions	600	619
Other liabilities	715	412
Commitments and contingencies		
Minority interests	29	36
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: 637 thousand and 854 thousand	64	85
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion		
Shares issued: 1,424 million and 1,401 million	712	701
Additional paid-in capital	10,363	10,298
Accumulated deficit	(7,309)	(5,144)
Treasury stock, at cost; Shares held: 16 million and 58 million	(162)	(574)
Accumulated other comprehensive income	148	98
Total shareholders' equity	3,816	5,464
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 9,710</b>	<b>\$ 10,752</b>

The accompanying notes are an integral part of these consolidated financial statements.

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

	For the three months ended		For the year ended Dec. 31,	
	Dec. 31, 2004	Sept. 30, 2004	2004	2003
<b>Cash flows from operating activities:</b>				
Income (loss) from continuing operations	\$ 163	\$ (2,511)	\$ (2,185)	\$ (223)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:				
Depreciation	126	119	485	480
Amortization of purchased intangibles	10	9	38	37
Asbestos settlement	17	(50)	33	413
Restructuring, impairment and other charges and (credits)	(5)	1,794	1,789	111
Loss (gain) on repurchases and retirement of debt		4	36	(19)
Undistributed earnings of associated companies	(122)	(107)	(321)	(97)
Minority interests, net of dividends paid	3	3	17	(77)
Deferred taxes	8	974	947	(263)
Interest expense on convertible debentures		1	4	18
Restructuring payments	(10)	(18)	(85)	(233)
Income tax refund				191
Customer deposits	104	100	204	
Employee benefit payments in excess of expense	(7)	(4)	(19)	(142)
Changes in certain working capital items:				
Trade accounts receivable	(11)	14	(40)	
Inventories	(16)	(19)	(68)	108
Other current assets	18	(32)	(7)	49
Accounts payable and other current liabilities, net of restructuring payments	132	35	161	(219)
Other, net	(44)	24	20	(1)
<b>Net cash provided by operating activities</b>	<b>366</b>	<b>336</b>	<b>1,009</b>	<b>133</b>
<b>Cash Flows from Investing Activities:</b>				
Capital expenditures	(301)	(254)	(857)	(366)
Net proceeds from sale of businesses		100	100	9
Net proceeds from sale or disposal of assets	3	11	49	46
Short-term investments - acquisitions	(284)	(263)	(1,253)	(1,584)
Short-term investments - liquidations	217	296	1,027	1,814
Other, net	6	1	12	3
<b>Net cash used in investing activities</b>	<b>(359)</b>	<b>(109)</b>	<b>(922)</b>	<b>(78)</b>
<b>Cash Flows from Financing Activities:</b>				
Net repayments of loans payable	(4)	(102)	(115)	(162)
Proceeds from issuance of long-term debt, net		46	442	
Repayments of long-term debt		(4)	(154)	(1,208)
Proceeds from issuance of common stock, net	9	9	42	657
Cash dividends to preferred shareholders	(1)	(1)	(7)	(19)
Proceeds from the exercise of stock options	15	7	49	9
Other, net	8		8	15
<b>Net cash provided by (used in) financing activities</b>	<b>27</b>	<b>(45)</b>	<b>265</b>	<b>(708)</b>
Effect of exchange rates on cash	43	1	39	60
Net increase (decrease) in cash and cash equivalents	77	183	391	(593)
Cash and cash equivalents at beginning of period	1,147	964	833	1,426
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,224</b>	<b>\$ 1,147</b>	<b>\$ 1,224</b>	<b>\$ 833</b>

The accompanying notes are an integral part of these consolidated 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.

	Display Technologies	Telecom- munications	Environmental Technologies	Life Sciences	Unallocated and Other	Consolidated Total
<b>For the three months ended December 31, 2004</b>						
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>0</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>
<b>For the three months ended December 31, 2003</b>						
Net sales	\$ 199	\$ 357	\$ 123	\$ 66	\$ 75	\$ 820
Research, development and engineering expenses (1)	\$ 19	\$ 25	\$ 24	\$ 7	\$ 11	\$ 86
Restructuring, impairment and other charges and (credits)		\$ (6)			\$ 27	\$ 21
Interest expense (2)	\$ 12	\$ 16	\$ 4	\$ 1	\$ 3	\$ 36
(Provision) benefit for income taxes	\$ (15)	\$ 32	\$ 1		\$ 28	\$ 46
Income (loss) before minority interests and equity earnings (3)	\$ 31	\$ (17)	\$ (2)	\$ (1)	\$ (56)	\$ (45)
Minority interests (4)					1	1
Equity in earnings of associated companies, net of impairments (5)	<u>50</u>	<u>(1)</u>	<u>0</u>	<u>(1)</u>	<u>(34)</u>	<u>15</u>
Net income (loss)	<u>\$ 81</u>	<u>\$ (18)</u>	<u>\$ (2)</u>	<u>\$ (1)</u>	<u>\$ (89)</u>	<u>\$ (29)</u>

	Display Technologies	Telecom- munications	Environmental Technologies	Life Sciences	Unallocated and Other	Consolidated Total
<b>For the year ended December 31, 2004</b>						
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>
<b>For the year ended December 31, 2003</b>						
Net sales	\$ 595	\$ 1,426	\$ 476	\$ 281	\$ 312	\$ 3,090
Research, development and engineering expenses (1)	\$ 55	\$ 120	\$ 87	\$ 28	\$ 54	\$ 344
Restructuring, impairment and other charges and (credits)		\$ (36)			\$ 147	\$ 111
Interest expense (2)	\$ 39	\$ 75	\$ 19	\$ 5	\$ 16	\$ 154
(Provision) benefit for income taxes	\$ (45)	\$ 78	\$ (5)	\$ (7)	\$ 233	\$ 254
Income (loss) before minority interests and equity earnings (3)	\$ 91	\$ (158)	\$ 9	\$ 14	\$ (461)	\$ (505)
Minority interests (4)					73	73
Equity in earnings of associated companies, net of impairments (5)	144	(11)			76	209
Net income (loss)	<u>\$ 235</u>	<u>\$ (169)</u>	<u>\$ 9</u>	<u>\$ 14</u>	<u>\$ (312)</u>	<u>\$ (223)</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. 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) Minority interests include the following restructuring, impairment and other charges and (credits):
  - For 2004, gains from the sale of Corning Asahi Video Products Company (CAV) assets in excess of assumed salvage value of \$17 million, and reversals of CAV severance reserves of \$2 million.
  - For 2003, impairment charges for long-lived assets of CAV and exit costs of \$57 million.
- (5) Equity in earnings of associated companies, net of impairments includes the following restructuring and impairment charges:
  - \$35 million and \$7 million of charges to impair equity method investments in the Telecommunications segment to their estimated fair value in 2004 and 2003, respectively.
  - 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.
  - In 2003, Samsung Corning Co., Ltd. recorded asset impairment charges. Our equity earnings included \$66 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:

	<u>For the three months</u> <u>ended December 31,</u>		<u>For the year</u> <u>ended December 31,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Net income (loss) of reportable segments	\$ 136	\$ 60	\$ (1,331)	\$ 89
Non-reportable operating segments net income (loss) (1)	6	(91)	16	(139)
Unallocated amounts:				
Non-segment loss and other (2)	(3)	(18)	(13)	(51)
Non-segment restructuring, impairment and other (charges) and credits	(1)		4	(13)
Asbestos settlement	(17)	(25)	(33)	(413)
Interest income	9	8	25	32
(Loss) gain on repurchases of debt			(36)	19
(Provision) benefit for income taxes (3)	(2)	18	(933)	170
Equity in earnings of associated companies, net of impairments (4)	35	19	116	83
Income from discontinued operations			20	
Net loss	<u>\$ 163</u>	<u>\$ (29)</u>	<u>\$ (2,165)</u>	<u>\$ (223)</u>

(1) Non-reportable operating segments net income (loss) 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) (Provision) benefit for income taxes includes tax associated with non-segment restructuring, impairment and other (charges) and credits.

(4) Equity in earnings of associated companies, net of impairments includes amounts derived from corporate investments, primarily Dow Corning Corporation in 2004 and 2003.

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

(Unaudited)

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

We recorded net credits of \$5 million (\$3 million after-tax and minority interest) for adjustments to prior periods' restructuring and impairment charges.

**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. 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 \$17 million in the fourth quarter of 2004 reflecting the increase in Corning's common stock from September 30 to December 31, 2004. Beginning with the first quarter of 2003, we have recorded total net charges of \$446 million to reflect the initial settlement and to mark-to-market the value of our common stock. We will make our contributions to the settlement trust under the agreement after the plan is approved, becomes effective and is no longer subject to appeal.

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

(Unaudited; in millions)

	2004				
	Three Months Ended				
	March 31	June 30	Sept. 30	Dec. 31	Total
<b>Display Technologies</b>	\$ 230	\$ 277	\$ 295	\$ 311	\$1,113
<b>Telecommunications</b>					
Fiber and cable	149	192	202	212	755
Hardware and equipment	163	200	210	211	784
	312	392	412	423	1,539
<b>Environmental Technologies</b>	141	141	136	130	548
<b>Life Sciences</b>	79	79	75	71	304
<b>Other</b>					
Conventional video components	2				2
Other businesses	80	82	88	98	348
	82	82	88	98	350
<b>Total</b>	\$ 844	\$ 971	\$ 1,006	\$ 1,033	\$ 3,854

	2003				
	Three Months Ended				
	March 31	June 30	Sept. 30	Dec. 31	Total
<b>Display Technologies</b>	\$ 117	\$ 135	\$ 144	\$ 199	\$ 595
<b>Telecommunications</b>					
Fiber and cable	193	178	209	180	760
Hardware and equipment	141	154	151	166	612
Photonic technologies	18	15	10	11	54
	352	347	370	357	1,426
<b>Environmental Technologies</b>	115	117	121	123	476
<b>Life Sciences</b>	73	72	70	66	281
<b>Other</b>					
Conventional video components	25	24	14	2	65
Other businesses	64	57	53	73	247
	89	81	67	75	312
<b>Total</b>	\$ 746	\$ 752	\$ 772	\$ 820	\$ 3,090

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, 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**  
**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</u>
			<u>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**  
**Year Ended December 31, 2003**

(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, 2003 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>Loss Before Income Taxes</u>	<u>Net Income (Loss)</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.10	\$ (254)	\$ 128
<i>Special items:</i>			
Restructuring, impairment and other (charges) and credits (a)	(0.02)	(111)	(26)
Asbestos settlement (b)	(0.21)	(413)	(263)
Gain on repurchases and retirement of debt, net (c)	0.01	19	12
Equity in earnings of associated companies, net of impairments (d)	<u>(0.06)</u>	<u>      </u>	<u>(74)</u>
Total EPS and net loss	<u>\$ (0.18)</u>	<u>\$ (759)</u>	<u>\$ (223)</u>

- (a) Corning recorded net charges of \$111 million (\$26 million after-tax) for our decision to shutdown Corning Asahi Video Products Company, exit the photonics technologies business within our Telecommunications segment, and shutdown two of our Specialty Materials manufacturing facilities. The charges for these actions were partially offset by credits to prior periods' restructuring plans, most notably for our decision not to exit two cabling sites previously marked for shutdown in 2002.
- (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 and our investment in Pittsburgh Corning Europe to a trust. This charge represents recording the initial liability based on the terms of the settlement agreement (\$298 million) plus the charge to reflect movements in Corning's common stock price from the settlement arrangement date and December 31, 2003 (\$115 million).
- (c) During 2004, Corning retired a significant portion of long-term debt, resulting in a gain of \$19 million (\$12 million after-tax).
- (d) This amount primarily reflects our portion of asset impairment charges recorded by our equity method investment, Samsung Corning Co., Ltd.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE**  
**Year Ended December 31, 2004**  
(Unaudited; amounts in millions)

Corning's comment, "This is the second consecutive year that we have achieved a \$500 million improvement in profitability before special items..." 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 a non-GAAP improvement in net income 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.

	<u>Net Income</u>			<u>Improvement</u>	
	<u>For the years ended December 31,</u>			<u>2004</u>	<u>2003</u>
	<u>2004 (a)</u>	<u>2003 (a)</u>	<u>2002</u>	<u>vs. 2003</u>	<u>vs. 2002</u>
Net income, excluding special items	\$ 674	\$ 128	\$ (392)	<u>\$ 546</u>	<u>\$ 520</u>
<i>Special items:</i>					
Restructuring, impairment and other (charges) and credits (b)	(1,802)	(26)	(1,462)		
Asbestos settlement	(30)	(263)			
(Loss) gain on repurchases and retirement of debt, net (c)	(34)	12	108		
(Provision) benefit for income taxes	(937)				
Equity in earnings of associated companies, net of impairments (d)	(56)	(74)	(34)		
Income from discontinued operations (e)	<u>20</u>	<u>      </u>	<u>478</u>		
Net loss	<u>\$ (2,165)</u>	<u>\$ (223)</u>	<u>\$ (1,302)</u>		

(a) For 2004 and 2003, refer to separate reconciliations of non-GAAP financial measure to the comparable GAAP measure for an explanation of the special items being excluded.

*2002 Special Items:*

- (b) Corning recorded total net charges of \$2.08 billion (\$1.462 billion after-tax and minority interest) related to the following significant actions: restructuring charges of \$1.271 billion (\$929 million after-tax and minority interest) for the closure of facilities, workforce reductions and abandonment of certain construction projects, mostly in our Telecommunications segment; \$400 million (\$294 million after-tax) for the impairment of goodwill in our Telecommunications segment; and \$409 million (\$239 million after-tax) for the impairment of assets of our photonic technologies and conventional video components businesses.
- (c) During 2002, Corning retired a significant portion of long-term debt resulting in a gain of \$176 million (\$108 million after-tax).
- (d) This amount reflects charges for impairments of certain equity method investments in Corning's Telecommunications segment.
- (e) On December 13, 2002, Corning completed the sale of our precision lens business to 3M Company for approximately \$800 million in cash and recorded a gain on the sale of \$652 million (\$415 million after-tax) included in income from discontinued operations. The remaining \$63 million, net of tax, of income from discontinued operations represents the 2002 operating results of the precision lens business prior to the sale to 3M Company.

**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)

Corning's comment, "...Excluding special items, our net income improved by \$125 million, and our EPS was three times what it was last year" 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 a non-GAAP improvement in net income 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>Net Income (Loss)</b>		<b>Improvement – 2004 vs. 2003</b>	
	<b>for the three months</b>		<b>Net Income</b>	<b>EPS</b>
	<b>ended December 31,</b>			
	<u>2004</u>	<u>2003</u>		
Net income, excluding special items	\$ 177	\$ 52	<u>\$ 125</u>	<u>3 times</u> (a)
<i>Special items:</i>				
Restructuring, impairment and other (charges) and credits	3	2		
Asbestos settlement	(17)	(17)		
Equity in earnings of associated companies, net of impairments	<u>          </u>	<u>(66)</u>		
Net loss	<u>\$ 163</u>	<u>\$ (29)</u>		

(a) For the fourth quarter of 2004, Corning's earnings per share (EPS) excluding special items was \$0.12 (refer to separate reconciliation to the comparable GAAP EPS measure of \$0.11). For the fourth quarter of 2003, Corning had a net loss of (\$29) million, or \$(0.02) per share. Excluding net special charges of \$81 million, Corning's EPS would have been \$0.04.

**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 earnings per share (EPS) excluding special items for the first 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	\$0.11	\$0.13
<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 first quarter of 2005, Corning will record a charge or credit for the change in its common stock price as of March 31, 2005 compared to \$11.77, the common stock price at December 31, 2004.
- (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 first 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.*

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE**  
**Three Months and Year Ended December 31, 2004**  
(Unaudited; amounts in millions)

Corning's free cash flow financial measures for the three months and 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 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>For the three months ended <u>December 31, 2004</u></b>	<b>For the year ended <u>December 31, 2004</u></b>
Operating cash flow	\$ 366	\$ 1,009
Less: Investing cash flow	(359)	(922)
Plus: Short-term investments - acquisitions	284	1,253
Less: Short-term investments - liquidations	<u>(217)</u>	<u>(1,027)</u>
Free cash flow	<u>\$ 74</u>	<u>\$ 313</u>