

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	<u>For the three months</u> <u>ended September 30,</u>		<u>For the nine months</u> <u>ended September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Net sales	\$ 1,006	\$ 772	\$ 2,821	\$ 2,270
Cost of sales	<u>602</u>	<u>546</u>	<u>1,771</u>	<u>1,663</u>
Gross margin	404	226	1,050	607
Operating expenses:				
Selling, general and administrative expenses	153	147	479	447
Research, development and engineering expenses	88	80	257	258
Amortization of purchased intangibles	9	10	28	28
Restructuring, impairment and other charges and (credits)	1,794	(10)	1,794	90
Asbestos settlement	<u>(50)</u>	<u>51</u>	<u>16</u>	<u>388</u>
Operating loss	(1,590)	(52)	(1,524)	(604)
Interest income	6	7	16	24
Interest expense	(36)	(36)	(109)	(118)
(Loss) gain on repurchases and retirement of debt, net	(4)	2	(36)	19
Other income, net	<u>5</u>	<u>5</u>	<u>6</u>	<u>11</u>
Loss from continuing operations before income taxes	(1,619)	(74)	(1,647)	(668)
(Provision) benefit for income taxes	<u>(985)</u>	<u>30</u>	<u>(997)</u>	<u>208</u>
Loss from continuing operations before minority interests and equity earnings	(2,604)	(44)	(2,644)	(460)
Minority interests	(3)	2	(14)	72
Equity in earnings of associated companies, net of impairments	<u>96</u>	<u>75</u>	<u>310</u>	<u>194</u>
(Loss) income from continuing operations	(2,511)	33	(2,348)	(194)
Income from discontinued operation	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
Net (loss) income	<u><u>\$ (2,491)</u></u>	<u><u>\$ 33</u></u>	<u><u>\$ (2,328)</u></u>	<u><u>\$ (194)</u></u>
Basic (loss) earnings per common share from:				
Continuing operations	\$ (1.79)	\$ 0.03	\$ (1.70)	\$ (0.15)
Discontinued operation	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
Basic (loss) earnings per common share	<u><u>\$ (1.78)</u></u>	<u><u>\$ 0.03</u></u>	<u><u>\$ (1.69)</u></u>	<u><u>\$ (0.15)</u></u>
Diluted (loss) earnings per common share from:				
Continuing operations	\$ (1.79)	\$ 0.02	\$ (1.70)	\$ (0.15)
Discontinued operation	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
Diluted (loss) earnings per common share	<u><u>\$ (1.78)</u></u>	<u><u>\$ 0.02</u></u>	<u><u>\$ (1.69)</u></u>	<u><u>\$ (0.15)</u></u>

Certain amounts for 2003 were reclassified to conform with 2004 classifications.

See Notes to Consolidated Financial Statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	<u>September 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,147	\$ 833
Short-term investments, at fair value	<u>592</u>	<u>433</u>
Total cash, cash equivalents and short-term investments	1,739	1,266
Trade accounts receivable, net	538	525
Inventories	498	467
Deferred income taxes	81	242
Other current assets	<u>214</u>	<u>194</u>
Total current assets	3,070	2,694
Investments	1,233	1,045
Property, net	3,505	3,620
Goodwill	276	1,735
Other intangible assets, net	132	166
Deferred income taxes	450	1,225
Other assets	<u>203</u>	<u>267</u>
Total Assets	<u>\$ 8,869</u>	<u>\$ 10,752</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Loans payable	\$ 214	\$ 146
Accounts payable	489	333
Other accrued liabilities	<u>1,027</u>	<u>1,074</u>
Total current liabilities	1,730	1,553
Long-term debt	2,438	2,668
Postretirement benefits other than pensions	605	619
Other liabilities	498	412
Commitments and contingencies		
Minority interests	30	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: 1,418 million and 1,401 million	709	701
Additional paid-in capital	10,342	10,298
Accumulated deficit	(7,472)	(5,144)
Treasury stock, at cost; Shares held: 17 million and 58 million	(166)	(574)
Accumulated other comprehensive income	<u>91</u>	<u>98</u>
Total shareholders' equity	3,568	5,464
Total Liabilities and Shareholders' Equity	<u>\$ 8,869</u>	<u>\$ 10,752</u>

Certain amounts for 2003 were reclassified to conform with 2004 classifications.

See Notes to Consolidated Financial Statements.

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

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>Sept. 30,</u> <u>2004</u>	<u>June 30,</u> <u>2004</u>	<u>September 30,</u> <u>2004</u> <u>2003</u>	
Cash flows from operating activities:				
(Loss) income from continuing operations	\$(2,511)	\$ 108	\$(2,348)	\$ (194)
Adjustments to reconcile net (loss) income from continuing operations to net cash provided by operating activities:				
Amortization of purchased intangibles	9	9	28	28
Depreciation	119	120	359	363
Restructuring, impairment and other charges and (credits)	1,794	(34)	1,794	90
Asbestos settlement	(50)	47	16	388
Loss (gain) on repurchases and retirement of debt, net	4	9	36	(19)
Undistributed earnings of associated companies	(107)	(63)	(199)	(84)
Minority interests, net of dividends paid	3	11	14	(76)
Deferred taxes	974	5	939	(259)
Interest expense on convertible debentures	1	1	4	15
Restructuring payments	(18)	(22)	(74)	(201)
Income tax refund				191
Customer deposits	100		100	
Changes in certain working capital items:				
Trade accounts receivable	14	(26)	(29)	5
Inventories	(19)	(1)	(52)	73
Other current assets	(32)	4	(25)	34
Accounts payable and other current liabilities, net of restructuring payments	35	60	29	(228)
Other, net	20	34	51	(60)
Net cash provided by operating activities	<u>336</u>	<u>262</u>	<u>643</u>	<u>66</u>
Cash flows from investing activities:				
Capital expenditures	(254)	(168)	(556)	(204)
Net proceeds from sale of businesses	100		100	9
Net proceeds from sale or disposal of assets	11	26	46	39
Net increase in long-term investments and other long-term assets				(4)
Short-term investments - acquisitions	(263)	(404)	(969)	(1,426)
Short-term investments - liquidations	296	230	810	1,481
Restricted investments - liquidations	1	3	6	16
Net cash used in investing activities	<u>(109)</u>	<u>(313)</u>	<u>(563)</u>	<u>(89)</u>
Cash flows from financing activities:				
Net repayments of loans payable	(102)	(7)	(111)	(160)
Proceeds from issuance of long-term debt, net	46		442	
Repayments of long-term debt	(4)	(9)	(154)	(1,100)
Proceeds from issuance of common stock, net	9	13	33	651
Cash dividends to preferred shareholders	(1)	(3)	(6)	(15)
Proceeds from the exercise of stock options	7	15	34	
Net cash provided by (used in) financing activities	<u>(45)</u>	<u>9</u>	<u>238</u>	<u>(624)</u>
Effect of exchange rates on cash	1	(4)	(4)	30
Net (decrease) increase in cash and cash equivalents	183	(46)	314	(617)
Cash and cash equivalents at beginning of period	<u>964</u>	<u>1,010</u>	<u>833</u>	<u>1,426</u>
Cash and cash equivalents at end of period	<u>\$ 1,147</u>	<u>\$ 964</u>	<u>\$ 1,147</u>	<u>\$ 809</u>

Certain amounts for 2003 were reclassified to conform with 2004 classifications.

See Notes to Consolidated Financial Statements.

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

Effective with the first quarter of 2004, we have revised our reportable operating segments from Telecommunications and Technologies to Telecommunications, Display Technologies, Environmental Technologies, and Life Sciences. Prior year information has been restated to conform with this revision.

	<u>Telecom- munications</u>	<u>Display Technologies</u>	<u>Environmental Technologies</u>	<u>Life Sciences</u>	<u>Unallocated and Other</u>	<u>Consolidated Total</u>
For the three months ended September 30, 2004						
Net sales	\$ 412	\$ 295	\$ 136	\$ 75	\$ 88	\$ 1,006
Research, development and engineering expenses (1)	\$ 21	\$ 22	\$ 23	\$ 9	\$ 13	\$ 88
Restructuring, impairment and other charges and (credits)	\$ 1,802				\$ (8)	\$ 1,794
Interest expense (2)	\$ 9	\$ 15	\$ 7	\$ 1	\$ 4	\$ 36
(Provision) benefit for income taxes	\$ (9)	\$ (39)		\$ (1)	\$ (936)	\$ (985)
(Loss) income before minority interests and equity (losses) earnings (3)(4)	\$ (1,785)	\$ 74		\$ 2	\$ (895)	\$ (2,604)
Minority interests (5)					(3)	(3)
Equity in (losses) earnings of associated companies, net of impairments (6)	(35)	68			63	96
Income from discontinued operations					20	20
Net (loss) income	<u>\$ (1,820)</u>	<u>\$ 142</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ (815)</u>	<u>\$ (2,491)</u>
For the three months ended September 30, 2003						
Net sales	\$ 370	\$ 144	\$ 121	\$ 70	\$ 67	\$ 772
Research, development and engineering expenses (1)	\$ 25	\$ 12	\$ 22	\$ 7	\$ 14	\$ 80
Restructuring, impairment and other charges and (credits)	\$ (2)				\$ (8)	\$ (10)
Interest expense (2)	\$ 16	\$ 9	\$ 5		\$ 6	\$ 36
(Provision) benefit for income taxes	\$ 16	\$ (13)	\$ (2)	\$ (1)	\$ 30	\$ 30
(Loss) income before minority interests and equity earnings (3)(4)	\$ (28)	\$ 25	\$ 2	\$ 3	\$ (46)	\$ (44)
Minority interests (5)					2	2
Equity in (losses) earnings of associated companies, net of impairments	<u>1</u>	<u>39</u>	<u>1</u>	<u>3</u>	<u>34</u>	<u>75</u>
Net (loss) income	<u>\$ (27)</u>	<u>\$ 64</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ (10)</u>	<u>\$ 33</u>
For the nine months ended September 30, 2004						
Net sales	\$ 1,116	\$ 802	\$ 418	\$ 233	\$ 252	\$ 2,821
Research, development and engineering expenses (1)	\$ 69	\$ 57	\$ 64	\$ 27	\$ 40	\$ 257
Restructuring, impairment and other charges and (credits)	\$ 1,797				\$ (3)	\$ 1,794
Interest expense (2)	\$ 41	\$ 37	\$ 17	\$ 4	\$ 10	\$ 109
(Provision) benefit for income taxes	\$ 25	\$ (97)	\$ (5)	\$ (6)	\$ (914)	\$ (997)
(Loss) income before minority interests and equity (losses) earnings (3)(4)	\$ (1,853)	\$ 191	\$ 10	\$ 12	\$ (1,004)	\$ (2,644)
Minority interests (5)	1				(15)	(14)
Equity in (losses) earnings of associated companies, net of impairments (6)	(32)	204			138	310
Income from discontinued operations					20	20
Net (loss) income	<u>\$ (1,884)</u>	<u>\$ 395</u>	<u>\$ 10</u>	<u>\$ 12</u>	<u>\$ (861)</u>	<u>\$ (2,328)</u>

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

	<u>Telecom- munications</u>	<u>Display Technologies</u>	<u>Environmental Technologies</u>	<u>Life Sciences</u>	<u>Unallocated and Other</u>	<u>Consolidated Total</u>
For the nine months ended September 30, 2003						
Net sales	\$ 1,069	\$ 396	\$ 353	\$ 215	\$ 237	\$ 2,270
Research, development and engineering expenses (1)	\$ 95	\$ 36	\$ 63	\$ 21	\$ 43	\$ 258
Restructuring, impairment and other charges and (credits)	\$ (30)				\$ 120	\$ 90
Interest expense (2)	\$ 59	\$ 27	\$ 15	\$ 4	\$ 13	\$ 118
(Provision) benefit for income taxes	\$ 46	\$ (30)	\$ (6)	\$ (7)	\$ 205	\$ 208
(Loss) income before minority interests and equity (losses) earnings (3)(4)	\$ (141)	\$ 60	\$ 11	\$ 15	\$ (405)	\$ (460)
Minority interests (5)					72	72
Equity in (losses) earnings of associated companies, net of impairments (6)	<u>(10)</u>	<u>94</u>			<u>110</u>	<u>194</u>
Net (loss) income	<u>\$ (151)</u>	<u>\$ 154</u>	<u>\$ 11</u>	<u>\$ 15</u>	<u>\$ (223)</u>	<u>\$ (194)</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) (Loss) income before minority interests and equity (losses) earnings includes an allocation of depreciation of corporate property, plant and equipment not specifically identifiable to a segment. Related depreciable assets are not allocated to segment assets.
- (5) Minority interests includes the following restructuring, impairment and other charges and (credits):
For the three and nine months ended September 30, 2004, gains from the sale of assets of Corning Asahi Video Products Company in excess of assumed salvage value of \$4 and \$17, respectively.
For the nine months ended September 30, 2003, charges of \$59 related to impairment of long-lived assets of Corning Asahi Video Products Company.
- (6) Equity in (losses) earnings of associated companies, net of impairments includes the following charges related to impairments of equity investments in the Telecommunications segment:
\$35 million for the three and nine months ended September 30, 2004.
\$7 million for the nine months ended September 30, 2003.

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

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

	<u>For the three months</u> <u>ended September 30,</u>		<u>For the nine months</u> <u>ended September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Net income (loss) of reportable segments	\$ (1,676)	\$ 43	\$ (1,467)	\$ 29
Non-reportable operating segments net income (loss) (1)	9	(1)	10	(48)
Unallocated amounts:				
Non-segment loss and other (2)	(3)	(4)	(10)	(33)
Non-segment restructuring, impairment and other (charges) and credits	1	(3)	5	(13)
Asbestos settlement	50	(51)	(16)	(388)
Interest income	6	7	16	24
(Loss) gain on repurchases of debt	(4)	2	(36)	19
(Provision) benefit for income taxes (3)	(934)	19	(931)	152
Equity in earnings of associated companies, net of impairments (4)	40	21	81	64
Income from discontinued operations	<u>20</u>	<u> </u>	<u>20</u>	<u> </u>
Net (loss) income	<u>\$ (2,491)</u>	<u>\$ 33</u>	<u>\$ (2,328)</u>	<u>\$ (194)</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 taxes associated with non-segment restructuring, impairment and other charges and \$937 for the impact of establishing a valuation allowance against certain deferred tax assets in the third quarter of 2004.
- (4) Equity in earnings of associated companies, net of impairments includes amounts derived from corporate investments, primarily Dow Corning Corporation.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

In the third quarter of 2004, we recorded net charges of \$1,794 million (\$1,798 million after-tax and minority interest) included in restructuring, impairment and other charges and (credits). A summary of the charges/(credits) follows:

(a) Telecommunications segment charges totaling \$1,802 million included the following:

- *Goodwill* – Pursuant to Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 142, “Goodwill and Other Intangible Assets,” goodwill is required to be tested for impairment annually at the reporting unit level. The reporting unit for our Telecommunications segment goodwill is our Telecommunications operating segment. While our annual goodwill recoverability assessment is completed in the fourth quarter, it is the culmination of our annual strategic planning process that runs from June to October. Management performed an assessment in the third quarter of 2004 and reviewed the outcome with Corning’s board of directors on October 6, 2004. The result of this strategic review is that we have lowered our estimates and projections for the long-term revenue growth of the Telecommunications segment.

Based on our updated estimates for the long-term growth of the Telecommunications segment, management concluded that the fair value of the Telecommunications segment was below its carrying amount. Accordingly, we recorded an impairment charge of \$1,420 million to reduce the carrying value of goodwill to its estimated fair value of approximately \$120 million.

- *Fixed Assets* – As a result of the lowered long-term outlook for the Telecommunications segment discussed above, Corning recorded asset impairment charges of \$374 million in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” These charges primarily relate to the permanent abandonment of the unfinished phase II expansion of the Concord, North Carolina optical fiber plant. This portion of the facility was only partially completed before Corning mothballed the entire Concord plant in October 2002.
- *Loss on sale of business* – Corning completed the previously-announced sale of its frequency controls business for net proceeds of \$80 million and recorded a loss of \$14 million.
- *Other* – Corning recorded net credits of \$6 million for adjustments to prior years’ restructuring and impairment charges.

(b) In the third quarter of 2004, Corning completed the final sale of Corning Asahi Video Products Company assets to Henan Anyang CPT Glass Bulb Group, Xinyi Electronic Glass, Co., LTD, a Chinese corporation. In connection with this asset sale, Corning recorded a gain of \$8 million before minority interest.

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 credit of \$50 million in the third quarter of 2004 reflecting the decrease in Corning’s common stock from June 30 to September 30, 2004. Beginning with the first quarter of 2003, we have recorded total net charges of \$429 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.

3. Long-Term Debt

In the third quarter of 2004, we issued 6 million shares of common stock and paid \$4 million in cash in exchange for 57,500 of our 3.5% convertible debentures with a book value of \$58 million. In accordance with SFAS No. 84, “Induced Conversions of Convertible Debt,” Corning recognized a charge of \$4 million reflecting the fair value of the incremental consideration given (i.e., the cash) beyond those required by the terms of the debentures.

4. Provision for Income Taxes

In the third quarter of 2004, we increased our tax expense by \$937 million as a result of the company’s decision to establish a valuation allowance against a significant portion of its deferred tax assets, primarily in the U.S. We performed an assessment of positive and negative evidence regarding the realization of our net deferred tax assets as required by SFAS No. 109, “Accounting for Income Taxes” (SFAS 109). SFAS 109 requires that a valuation allowance be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. SFAS 109 further requires that “greater weight be given to previous cumulative losses than the outlook for future profitability when determining whether deferred tax assets can be used.”

We have incurred significant losses in the U.S. due primarily to the restructuring and impairment charges and operating losses in our Telecommunications segment over the last four years. As a result of the third quarter impairment charges and the lowering of our long-term outlook for the Telecommunications segment, our largest U.S. business, we concluded that a valuation allowance against these tax assets is required until realization is more assured.

5. Equity Investments

In the third quarter of 2004, Corning recorded impairment charges of \$35 million to write-down certain Telecommunications segment equity-method investments to their estimated fair value. As a result of Corning’s revised Telecommunications segment outlook, we determined that these investments were no longer strategic assets. Accordingly, we recorded a charge to fully impair the book values of our investments in these entities. These impairment charges are included in “equity in earnings of associated companies, net of impairments” in the statements of operations.

6. Discontinued Operation

In the third quarter of 2004, we reached a final settlement agreement with 3M Company for disbursement of funds held in escrow as part of our December 2002 sale of our precision lens business. Accordingly, we recognized a gain of \$20 million upon receipt of these proceeds. This gain is included in “income from discontinued operation” in the statements of operations.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
QUARTERLY SALES INFORMATION
(Unaudited; in millions)

2004

	Three Months Ended			Nine Months Ended
	March 31	June 30	Sept. 30	Sept. 30
	<u>March 31</u>	<u>June 30</u>	<u>Sept. 30</u>	<u>Sept. 30</u>
Telecommunications				
Fiber and cable	\$ 149	\$ 192	\$ 202	\$ 543
Hardware and equipment	<u>163</u>	<u>200</u>	<u>210</u>	<u>573</u>
	312	392	412	1,116
Display Technologies	230	277	295	802
Environmental Technologies	141	141	136	418
Life Sciences	79	79	75	233
Other				
Conventional video components	2			2
Other businesses	<u>80</u>	<u>82</u>	<u>88</u>	<u>250</u>
	82	82	88	252
Total	<u>\$ 844</u>	<u>\$ 971</u>	<u>\$ 1,006</u>	<u>\$ 2,821</u>

2003

	Three Months Ended				Total
	March 31	June 30	Sept. 30	Dec. 31	
	<u>March 31</u>	<u>June 30</u>	<u>Sept. 30</u>	<u>Dec. 31</u>	
Telecommunications					
Fiber and cable	\$ 193	\$ 178	\$ 209	\$ 180	\$ 760
Hardware and equipment	141	154	151	166	612
Photonic technologies	<u>18</u>	<u>15</u>	<u>10</u>	<u>11</u>	<u>54</u>
	352	347	370	357	1,426
Display Technologies	117	135	144	199	595
Environmental Technologies	115	117	121	123	476
Life Sciences	73	72	70	66	281
Other					
Conventional video components	25	24	14	2	65
Other businesses	<u>64</u>	<u>57</u>	<u>53</u>	<u>73</u>	<u>247</u>
	89	81	67	75	312
Total	<u>\$ 746</u>	<u>\$ 752</u>	<u>\$ 772</u>	<u>\$ 820</u>	<u>\$ 3,090</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
Nine Months Ended September 30, 2004
(Unaudited; amounts in millions, except per share amounts)

Corning's earnings excluding certain items for the third quarter is a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. The company believes presenting earnings estimates that exclude these items is helpful in understanding Corning's operating results. This non-GAAP measure is not in accordance with and should not be considered an alternative of measurements required under generally accepted accounting principles (GAAP). A detailed reconciliation is provided below outlining the differences between this non-GAAP measure 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 certain items	\$ 0.14	\$ 129	\$ 213
<i>Certain items:</i>			
Restructuring, impairment and other charges and (credits) (a)	(1.28)	(1,794)	(1,798)
Asbestos settlement (b)	0.04	50	50
(Loss) gain on repurchases and retirement of debt, net (c)		(4)	(4)
(Provision) benefit for income taxes (d)	(0.67)		(937)
Equity in earnings of associated companies, net of impairments (e)	(0.02)		(35)
Income from discontinued operations (f)	<u>0.01</u>	<u> </u>	<u>20</u>
Total EPS and net income	<u>\$ (1.78)</u>	<u>\$(1,619)</u>	<u>\$(2,491)</u>

- (a) Corning recorded charges of \$1.794 billion in the third quarter of 2004. The following charges are associated with its Telecommunications segment: \$1.420 billion to impair goodwill; \$374 million to impair certain fixed assets; and \$14 million for the completion of the sale of the frequency controls business. Also in the third quarter of 2004, Corning completed the final sale of Corning Asahi Video Products Company assets to Henan Anyang CPT Glass Bulb Group, Xinyi Electronic Glass, Co., LTD. and recorded a gain of \$8 million before minority interest. Lastly, Corning recorded net credits of \$6 million for adjustments to prior year restructuring and impairment charges.
- (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 third quarter of 2004, Corning recorded a credit of \$50 million for the change in its common stock price of \$11.08 at September 30, 2004 compared to \$13.06, the common stock price at June 30, 2004.
- (c) From time to time, Corning may repurchase or retire debt, which could result in a gain or loss during the quarter. In the third quarter of 2004, Corning retired certain amounts of its 3.5% convertible bonds due 2008, resulting in a loss of \$4 million.
- (d) In the third quarter of 2004, Corning increased income tax expense by \$937 million as a result of the company's previously-announced decision to provide a valuation allowance against a significant portion of its deferred tax assets.
- (e) This amount reflects charges for impairments of certain non-strategic equity method investments in Corning's Telecommunications segment.
- (f) This gain relates to the final settlement of the 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 December 31, 2004
(Unaudited; amounts in millions, except per share amounts)

Corning's earnings estimate excluding certain items for the third quarter is a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. The company believes presenting earnings estimates that exclude these items is helpful in understanding Corning's operating results. This non-GAAP measure is not in accordance with and should not be considered an alternative of measurements required under generally accepted accounting principles (GAAP). A detailed reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measure.

	Range	
Guidance: Earnings per share (EPS) excluding certain items	\$0.10	\$0.12
<i>Certain items excluded from guidance:</i>		
Asbestos settlement (a)		
Restructuring, impairment and other charges and (credits) (b)		
(Loss) gain on repurchases and retirements of debt, net (c)	_____	_____
Earnings per share		

This schedule will be updated as additional announcements occur.

- (a) 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 fourth quarter of 2004, Corning will record a charge or credit for the change in its common stock price as of December 31, 2004 compared to \$11.08, the common stock price at September 30, 2004.
- (b) 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.
- (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 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.

