

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited; in millions, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 1,908	\$ 2,005	\$ 3,828	\$ 3,928
Cost of sales	1,111	1,116	2,217	2,165
Gross margin	797	889	1,611	1,763
Operating expenses:				
Selling, general and administrative expenses	291	284	570	534
Research, development and engineering expenses	188	172	375	328
Amortization of purchased intangibles	4	4	9	7
Asbestos litigation charge (Note 1)	5	5	6	10
Operating income	309	424	651	884
Equity in earnings of affiliated companies	259	428	477	826
Interest income	3	5	7	9
Interest expense	(24)	(22)	(44)	(49)
Other income, net	8	43	37	70
Income before incomes taxes	555	878	1,128	1,740
Provision for income taxes	(93)	(123)	(204)	(237)
Net income attributable to Corning Incorporated	<u>\$ 462</u>	<u>\$ 755</u>	<u>\$ 924</u>	<u>\$ 1,503</u>
Earnings per common share attributable to Corning Incorporated:				
Basic (Note 2)	<u>\$ 0.31</u>	<u>\$ 0.48</u>	<u>\$ 0.61</u>	<u>\$ 0.96</u>
Diluted (Note 2)	<u>\$ 0.30</u>	<u>\$ 0.47</u>	<u>\$ 0.61</u>	<u>\$ 0.95</u>
Dividends declared per common share	<u>\$ 0.075</u>	<u>\$ 0.05</u>	<u>\$ 0.15</u>	<u>\$ 0.10</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; in millions)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net income attributable to Corning Incorporated	\$ 462	\$ 755	\$ 924	\$ 1,503
Other comprehensive income (loss), net of tax	4	241	(47)	421
Comprehensive income attributable to Corning Incorporated	<u>\$ 466</u>	<u>\$ 996</u>	<u>\$ 877</u>	<u>\$ 1,924</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,008	\$ 4,661
Short-term investments, at fair value	1,337	1,164
Total cash, cash equivalents and short-term investments	<u>6,345</u>	<u>5,825</u>
Trade accounts receivable, net of doubtful accounts and allowances	1,157	1,082
Inventories	999	975
Deferred income taxes	441	448
Other current assets	436	347
Total current assets	<u>9,378</u>	<u>8,677</u>
Investments	4,870	4,726
Property, net of accumulated depreciation	10,751	10,671
Goodwill and other intangible assets, net	916	926
Deferred income taxes	2,565	2,652
Other assets	274	196
Total Assets	<u>\$ 28,754</u>	<u>\$ 27,848</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 29	\$ 27
Accounts payable	929	977
Other accrued liabilities	934	1,093
Total current liabilities	<u>1,892</u>	<u>2,097</u>
Long-term debt	3,229	2,364
Postretirement benefits other than pensions	900	897
Other liabilities	1,331	1,361
Total liabilities	<u>7,352</u>	<u>6,719</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,645 million and 1,636 million	823	818
Additional paid-in capital	13,096	13,041
Retained earnings	10,029	9,332
Treasury stock, at cost; Shares held: 155 million and 121 million	(2,458)	(2,024)
Accumulated other comprehensive loss	(136)	(89)
Total Corning Incorporated shareholders' equity	<u>21,354</u>	<u>21,078</u>
Noncontrolling interests	48	51
Total equity	<u>21,402</u>	<u>21,129</u>
Total Liabilities and Equity	<u>\$ 28,754</u>	<u>\$ 27,848</u>

See accompanying notes to these financial statements.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Cash Flows from Operating Activities:				
Net income	\$ 462	\$ 755	\$ 924	\$ 1,503
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	238	232	473	458
Amortization of purchased intangibles	4	4	9	7
Cash received from settlement of insurance claims				66
Stock compensation charges	16	22	40	45
Earnings of affiliated companies (in excess of) less than dividends received	(256)	(359)	44	(437)
Deferred tax (benefit) provision	(26)	81	21	96
Employee benefit payments less than (in excess of) expense	33	34	(33)	68
Changes in certain working capital items:				
Trade accounts receivable	(19)	(122)	(68)	(243)
Inventories	(47)	(64)	(35)	(143)
Other current assets	(7)	(16)	(54)	(42)
Accounts payable and other current liabilities, net of restructuring payments	6	40	(45)	(43)
Other, net	166	(61)	56	(216)
Net cash provided by operating activities	<u>570</u>	<u>546</u>	<u>1,332</u>	<u>1,119</u>
Cash Flows from Investing Activities:				
Capital expenditures	(441)	(494)	(853)	(1,026)
Acquisitions of businesses, net of cash received				(148)
Investments in affiliates	(104)		(111)	
Short-term investments – acquisitions	(640)	(962)	(1,168)	(1,845)
Short-term investments – liquidations	648	949	989	1,852
Other, net	2	2	4	5
Net cash used in investing activities	<u>(535)</u>	<u>(505)</u>	<u>(1,139)</u>	<u>(1,162)</u>
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(3)	(2)	(13)	(12)
Principal payments under capital lease obligations			(1)	(32)
Proceeds from issuance of long-term debt, net	95		886	
Payments to settle interest rate hedges			(18)	
Proceeds from the exercise of stock options	3	9	19	73
Repurchase of common stock for treasury	(314)		(386)	
Dividends paid	(113)	(79)	(227)	(158)
Net cash (used in) provided by financing activities	<u>(332)</u>	<u>(72)</u>	<u>260</u>	<u>(129)</u>
Effect of exchange rates on cash	(185)	70	(106)	183
Net (decrease) increase in cash and cash equivalents	(482)	39	347	11
Cash and cash equivalents at beginning of period	5,490	4,570	4,661	4,598
Cash and cash equivalents at end of period	<u>\$ 5,008</u>	<u>\$ 4,609</u>	<u>\$ 5,008</u>	<u>\$ 4,609</u>

Certain amounts for 2011 were reclassified to conform to the 2012 presentation.

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

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

	Display Technologies	Telecom- munications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Three months ended							
June 30, 2012							
Net sales	\$ 641	\$ 559	\$ 249	\$ 296	\$ 162	\$ 1	\$ 1,908
Depreciation (1)	\$ 125	\$ 34	\$ 29	\$ 36	\$ 10	\$ 3	\$ 237
Amortization of purchased intangibles		\$ 2			\$ 2		\$ 4
Research, development and engineering expenses (2)	\$ 26	\$ 35	\$ 26	\$ 37	\$ 5	\$ 29	\$ 158
Equity in earnings of affiliated companies	\$ 184	\$ 2				\$ 9	\$ 195
Income tax (provision) benefit	\$ (78)	\$ (17)	\$ (17)	\$ (17)	\$ (5)	\$ 12	\$ (122)
Net income (loss) (3)	<u>\$ 371</u>	<u>\$ 36</u>	<u>\$ 34</u>	<u>\$ 34</u>	<u>\$ 11</u>	<u>\$ (16)</u>	<u>\$ 470</u>
Three months ended							
June 30, 2011							
Net sales	\$ 760	\$ 548	\$ 258	\$ 283	\$ 155	\$ 1	\$ 2,005
Depreciation (1)	\$ 123	\$ 32	\$ 27	\$ 42	\$ 9	\$ 3	\$ 236
Amortization of purchased intangibles		\$ 2			\$ 2		\$ 4
Research, development and engineering expenses (2)	\$ 27	\$ 32	\$ 23	\$ 36	\$ 5	\$ 24	\$ 147
Equity in earnings of affiliated companies	\$ 319	\$ 1	\$ 1	\$ 5		\$ 2	\$ 328
Income tax (provision) benefit	\$ (118)	\$ (22)	\$ (15)	\$ (9)	\$ (7)	\$ 10	\$ (161)
Net income (loss) (3)	<u>\$ 626</u>	<u>\$ 46</u>	<u>\$ 32</u>	<u>\$ 23</u>	<u>\$ 15</u>	<u>\$ (20)</u>	<u>\$ 722</u>
Six months ended							
June 30, 2012							
Net sales	\$ 1,346	\$ 1,067	\$ 512	\$ 584	\$ 317	\$ 2	\$ 3,828
Depreciation (1)	\$ 254	\$ 64	\$ 57	\$ 70	\$ 20	\$ 6	\$ 471
Amortization of purchased intangibles		\$ 5			\$ 4		\$ 9
Research, development and engineering expenses (2)	\$ 53	\$ 70	\$ 52	\$ 74	\$ 11	\$ 56	\$ 316
Equity in earnings of affiliated companies	\$ 366	\$ (2)	\$ 1			\$ 13	\$ 378
Income tax (provision) benefit	\$ (174)	\$ (29)	\$ (37)	\$ (28)	\$ (11)	\$ 22	\$ (257)
Net income (loss) (3)	<u>\$ 792</u>	<u>\$ 57</u>	<u>\$ 74</u>	<u>\$ 55</u>	<u>\$ 23</u>	<u>\$ (36)</u>	<u>\$ 965</u>
Six months ended							
June 30, 2011							
Net sales	\$ 1,550	\$ 1,022	\$ 517	\$ 537	\$ 299	\$ 3	\$ 3,928
Depreciation (1)	\$ 247	\$ 60	\$ 52	\$ 79	\$ 17	\$ 5	\$ 460
Amortization of purchased intangibles		\$ 3			\$ 4		\$ 7
Research, development and engineering expenses (2)	\$ 52	\$ 61	\$ 46	\$ 65	\$ 9	\$ 46	\$ 279
Equity in earnings of affiliated companies	\$ 613	\$ 4	\$ 1	\$ 8		\$ 9	\$ 635
Income tax (provision) benefit	\$ (257)	\$ (41)	\$ (29)	\$ (12)	\$ (14)	\$ 19	\$ (334)
Net income (loss) (3)	<u>\$ 1,264</u>	<u>\$ 87</u>	<u>\$ 61</u>	<u>\$ 31</u>	<u>\$ 30</u>	<u>\$ (35)</u>	<u>\$ 1,438</u>

- (1) Depreciation expense for Corning's reportable segments includes an allocation of depreciation of corporate property not specifically identifiable to a segment.
- (2) Research, development, and engineering expense includes direct project spending which is identifiable to a segment.
- (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.

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

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net income of reportable segments	\$ 486	\$ 742	\$ 1,001	\$ 1,473
Non-reportable segments	(16)	(20)	(36)	(35)
Unallocated amounts:				
Net financing costs (1)	(44)	(47)	(84)	(99)
Stock-based compensation expense	(16)	(22)	(40)	(45)
Exploratory research	(24)	(19)	(47)	(36)
Corporate contributions	(10)	(11)	(23)	(32)
Equity in earnings of affiliated companies, net of impairments (2)	64	100	99	191
Asbestos settlement (3)	(5)	(5)	(6)	(10)
Other corporate items	27	37	60	96
Net income	\$ 462	\$ 755	\$ 924	\$ 1,503

- (1) Net financing costs include interest income, interest expense, and interest costs and investment gains associated with benefit plans.
- (2) Primarily represents the equity earnings of Dow Corning Corporation.
- (3) In the three and six months ended June 30, 2012, Corning recorded a charge of \$5 million and \$6 million, respectively, to adjust the asbestos liability for the change in value of the components of the Modified PCC Plan. In the three and six months ended June 30, 2011, Corning recorded a charge of \$5 million and \$10 million, respectively, to adjust the asbestos liability for the change in value of the components of the Modified PCC Plan.

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

1. Asbestos Litigation

Pittsburgh Corning Corporation (PCC) was named in numerous lawsuits alleging personal injury from exposure to asbestos and, on April 16, 2000, PCC filed for Chapter 11 reorganization. Corning, with other relevant parties, proposed a Plan of Reorganization of PCC in 2003, which has not yet been confirmed. Under this PCC Plan, Corning would contribute certain payments and assets. In the second quarter of 2012, we recorded a charge of \$5 million (\$3 million after-tax) to adjust the asbestos litigation liability for the change in value of the components to be contributed by Corning under this PCC Plan.

2. Weighted Average Shares Outstanding

Weighted average shares outstanding are as follows (in millions):

	Three months ended June 30,		Three months ended
	2012	2011	March 31, 2012
Basic	1,506	1,568	1,516
Diluted	1,518	1,591	1,530
Diluted used for non-GAAP measures	1,518	1,591	1,530

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

	2012				
	March 31	June 30	Six Months Ended June 30		
Display Technologies	\$ 705	\$ 641	\$ 1,346		
Telecommunications					
Fiber and cable	254	302	556		
Hardware and equipment	254	257	511		
	<u>508</u>	<u>559</u>	<u>1,067</u>		
Environmental Technologies					
Automotive	129	120	249		
Diesel	134	129	263		
	<u>263</u>	<u>249</u>	<u>512</u>		
Specialty Materials	288	296	584		
Life Sciences	155	162	317		
All Other	<u>1</u>	<u>1</u>	<u>2</u>		
Total	<u>\$ 1,920</u>	<u>\$ 1,908</u>	<u>\$ 3,828</u>		
	2011				
	Q1	Q2	Q3	Q4	Total
Display Technologies	\$ 790	\$ 760	\$ 815	\$ 780	\$ 3,145
Telecommunications					
Fiber and cable	248	265	276	262	1,051
Hardware and equipment	226	283	284	228	1,021
	<u>474</u>	<u>548</u>	<u>560</u>	<u>490</u>	<u>2,072</u>
Environmental Technologies					
Automotive	123	121	119	113	476
Diesel	136	137	128	121	522
	<u>259</u>	<u>258</u>	<u>247</u>	<u>234</u>	<u>998</u>
Specialty Materials	254	283	299	238	1,074
Life Sciences	144	155	153	143	595
All Other	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>6</u>
Total	<u>\$ 1,923</u>	<u>\$ 2,005</u>	<u>\$ 2,075</u>	<u>\$ 1,887</u>	<u>\$ 7,890</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, 2012

(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 2012 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.

	Per Share	Income Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	\$ 0.31	\$ 560	\$ 465
<i>Special items:</i>			
Asbestos settlement (a)	-	(5)	(3)
Total EPS and net income	\$ 0.30	\$ 555	\$ 462

(a) In the second quarter of 2012, Corning recorded a charge of \$5 million (\$3 million after-tax) to adjust the asbestos liability for the change in value of the components of the Modified PCC Plan.

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

Three Months Ended March 31, 2012

(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 2012 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.

	Per Share	Income Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	\$ 0.30	\$ 574	\$ 463
<i>Special items:</i>			
Asbestos settlement (a)	-	(1)	(1)
Total EPS and net income	\$ 0.30	\$ 573	\$ 462

(a) In the first quarter of 2012, Corning recorded a charge of \$1 million (\$1 million after-tax) to adjust the asbestos liability for the change in value of the components of the Amended PCC Plan.

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

Three Months Ended June 30, 2011

(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 2011 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.

	Per Share	Income Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	\$ 0.48	\$ 883	\$ 758
<i>Special items:</i>			
Asbestos settlement (a)	-	(5)	(3)
Total EPS and net income	\$ 0.47	\$ 878	\$ 755

(a) In the second quarter of 2011, Corning recorded a charge of \$5 million (\$3 million after-tax) to adjust the asbestos liability for the change in value of the components of the Modified PCC Plan.

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

Dow Corning Corporation, Affiliated Company of Corning Incorporated

Three Months Ended June 30 and March 31, 2012

(Unaudited: amounts in millions)

Corning's equity in earnings of affiliated companies excluding non-recurring items for the second and first quarters of 2012 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 equity in earnings of affiliated companies 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.

	Q2 2012	Q1 2012	Sequential % Change
Equity in earnings of affiliated companies, excluding non-recurring items	\$ 50	\$ 35	43%
Equity in earnings of affiliated companies (a)	11		
Equity in earnings of affiliated companies	\$ 61	\$ 35	74%

(a) In the second quarter of 2012, equity in earnings of affiliated companies included a \$11 million credit for Corning's share of non-recurring items.

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

Three and Six Months Ended June 30, 2012

(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three and six months ended June 30, 2012 is 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 measures.

	Three months ended June 30, 2012	Six months ended June 30, 2012
	<hr/>	<hr/>
Cash flows from operating activities	\$ 570	\$ 1,332
Less: Cash flows from investing activities	(535)	(1,139)
Plus: Short-term investments – acquisitions	640	1,168
Less: Short-term investments – liquidations	<hr/> (648)	<hr/> (989)
Free cash flow	<hr/> \$ 27	<hr/> \$ 372