

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited; in millions, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net sales	\$ 2,038	\$ 2,075	\$ 5,866	\$ 6,003
Cost of sales	1,159	1,097	3,376	3,262
Gross margin	879	978	2,490	2,741
Operating expenses:				
Selling, general and administrative expenses	294	216	864	750
Research, development and engineering expenses	185	166	560	494
Amortization of purchased intangibles	4	4	13	11
Asbestos litigation charge (Note 1)	3	5	9	15
Operating income	393	587	1,044	1,471
Equity in earnings of affiliated companies (Note 2)	240	324	717	1,150
Interest income	3	6	10	15
Interest expense	(33)	(23)	(77)	(72)
Other income, net	5	27	42	97
Income before incomes taxes	608	921	1,736	2,661
Provision for income taxes	(87)	(110)	(291)	(347)
Net income attributable to Corning Incorporated	\$ 521	\$ 811	\$ 1,445	\$ 2,314
Earnings per common share attributable to Corning Incorporated:				
Basic (Note 3)	\$ 0.35	\$ 0.52	\$ 0.96	\$ 1.48
Diluted (Note 3)	\$ 0.35	\$ 0.51	\$ 0.95	\$ 1.46
Dividends declared per common share	\$ 0.075	\$ 0.05	\$ 0.225	\$ 0.15

See accompanying notes to these financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net income attributable to Corning Incorporated	\$ 521	\$ 811	\$ 1,445	\$ 2,314
Other comprehensive income (loss), net of tax	<u>241</u>	<u>(371)</u>	<u>194</u>	<u>50</u>
Comprehensive income attributable to Corning Incorporated	<u>\$ 762</u>	<u>\$ 440</u>	<u>\$ 1,639</u>	<u>\$ 2,364</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,952	\$ 4,661
Short-term investments, at fair value	1,399	1,164
Total cash, cash equivalents and short-term investments	6,351	5,825
Trade accounts receivable, net of doubtful accounts and allowances	1,248	1,082
Inventories	1,003	975
Deferred income taxes	490	448
Other current assets	424	347
Total current assets	9,516	8,677
Investments	5,172	4,726
Property, net of accumulated depreciation	11,036	10,671
Goodwill and other intangible assets, net	912	926
Deferred income taxes	2,501	2,652
Other assets	273	196
Total Assets	\$ 29,410	\$ 27,848
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 30	\$ 27
Accounts payable	901	977
Other accrued liabilities	956	1,093
Total current liabilities	1,887	2,097
Long-term debt	3,372	2,364
Postretirement benefits other than pensions	901	897
Other liabilities	1,364	1,361
Total liabilities	7,524	6,719
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,647 million and 1,636 million	824	818
Additional paid-in capital	13,118	13,041
Retained earnings	10,438	9,332
Treasury stock, at cost; Shares held: 169 million and 121 million	(2,646)	(2,024)
Accumulated other comprehensive income (loss)	105	(89)
Total Corning Incorporated shareholders' equity	21,839	21,078
Noncontrolling interests	47	51
Total equity	21,886	21,129
Total Liabilities and Equity	\$ 29,410	\$ 27,848

See accompanying notes to these financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Cash Flows from Operating Activities:				
Net income	\$ 521	\$ 811	\$ 1,445	\$ 2,314
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	244	241	717	699
Amortization of purchased intangibles	4	4	13	11
Cash received from settlement of insurance claims				66
Stock compensation charges	16	21	56	66
Earnings of affiliated companies in excess of dividends received	(184)	(249)	(140)	(686)
Deferred tax provision	23	22	44	118
Employee benefit payments less than expense	33	37		105
Changes in certain working capital items:				
Trade accounts receivable	(81)	61	(149)	(182)
Inventories	4	(27)	(31)	(170)
Other current assets	(11)	(7)	(65)	(49)
Accounts payable and other current liabilities, net of restructuring payments	3	(64)	(42)	(107)
Other, net	62	63	118	(153)
Net cash provided by operating activities	634	913	1,966	2,032
Cash Flows from Investing Activities:				
Capital expenditures	(422)	(640)	(1,275)	(1,666)
Acquisitions of businesses, net of cash received				(148)
Investments in affiliates			(111)	
Short-term investments – acquisitions	(691)	(348)	(1,859)	(2,193)
Short-term investments – liquidations	629	574	1,618	2,426
Other, net	2	(4)	6	1
Net cash used in investing activities	(482)	(418)	(1,621)	(1,580)
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(11)	(10)	(24)	(22)
Principal payments under capital lease obligations			(1)	(32)
Proceeds from issuance of long-term debt, net	144	34	1,030	34
Payments to settle interest rate hedges			(18)	
Proceeds from the exercise of stock options	7	9	26	82
Repurchase of common stock for treasury	(194)		(580)	
Dividends paid	(112)	(79)	(339)	(237)
Net cash (used in) provided by financing activities	(166)	(46)	94	(175)
Effect of exchange rates on cash	(42)	(157)	(148)	26
Net increase in cash and cash equivalents	(56)	292	291	303
Cash and cash equivalents at beginning of period	5,008	4,609	4,661	4,598
Cash and cash equivalents at end of period	\$ 4,952	\$ 4,901	\$ 4,952	\$ 4,901

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							
September 30, 2012							
Net sales	\$ 763	\$ 523	\$ 233	\$ 363	\$ 155	\$ 1	\$ 2,038
Depreciation (1)	\$ 123	\$ 34	\$ 30	\$ 40	\$ 11	\$ 5	\$ 243
Amortization of purchased intangibles		\$ 2			\$ 2		\$ 4
Research, development and engineering expenses (2)	\$ 24	\$ 35	\$ 23	\$ 28	\$ 5	\$ 36	\$ 151
Equity in earnings of affiliated companies	\$ 187	\$ 1				\$ 1	\$ 189
Income tax (provision) benefit	\$ (83)	\$ (17)	\$ (13)	\$ (29)	\$ (4)	\$ 15	\$ (131)
Net income (loss) (3)	<u>\$ 440</u>	<u>\$ 35</u>	<u>\$ 26</u>	<u>\$ 59</u>	<u>\$ 9</u>	<u>\$ (30)</u>	<u>\$ 539</u>
Three months ended							
September 30, 2011							
Net sales	\$ 815	\$ 560	\$ 247	\$ 299	\$ 153	\$ 1	\$ 2,075
Depreciation (1)	\$ 131	\$ 31	\$ 27	\$ 41	\$ 8	\$ 3	\$ 241
Amortization of purchased intangibles		\$ 2			\$ 1		\$ 3
Research, development and engineering expenses (2)	\$ 21	\$ 29	\$ 27	\$ 35	\$ 3	\$ 22	\$ 137
Equity in earnings of affiliated companies	\$ 222			\$ 5		\$ 4	\$ 231
Income tax (provision) benefit	\$ (118)	\$ (30)	\$ (15)	\$ (16)	\$ (10)	\$ 9	\$ (180)
Net income (loss) (3)	<u>\$ 593</u>	<u>\$ 82</u>	<u>\$ 32</u>	<u>\$ 38</u>	<u>\$ 21</u>	<u>\$ (17)</u>	<u>\$ 749</u>
Nine months ended							
September 30, 2012							
Net sales	\$ 2,109	\$ 1,590	\$ 745	\$ 947	\$ 472	\$ 3	\$ 5,866
Depreciation (1)	\$ 377	\$ 98	\$ 87	\$ 110	\$ 31	\$ 11	\$ 714
Amortization of purchased intangibles		\$ 7			\$ 6		\$ 13
Research, development and engineering expenses (2)	\$ 77	\$ 105	\$ 75	\$ 102	\$ 16	\$ 92	\$ 467
Equity in earnings of affiliated companies	\$ 553	\$ (1)	\$ 1			\$ 14	\$ 567
Income tax (provision) benefit	\$ (257)	\$ (46)	\$ (50)	\$ (57)	\$ (15)	\$ 37	\$ (388)
Net income (loss) (3)	<u>\$ 1,232</u>	<u>\$ 92</u>	<u>\$ 100</u>	<u>\$ 114</u>	<u>\$ 32</u>	<u>\$ (66)</u>	<u>\$ 1,504</u>
Nine months ended							
September 30, 2011							
Net sales	\$ 2,365	\$ 1,582	\$ 764	\$ 836	\$ 452	\$ 4	\$ 6,003
Depreciation (1)	\$ 378	\$ 91	\$ 79	\$ 120	\$ 25	\$ 8	\$ 701
Amortization of purchased intangibles		\$ 5			\$ 5		\$ 10
Research, development and engineering expenses (2)	\$ 73	\$ 90	\$ 73	\$ 100	\$ 12	\$ 68	\$ 416
Equity in earnings of affiliated companies	\$ 835	\$ 4	\$ 1	\$ 13		\$ 13	\$ 866
Income tax (provision) benefit	\$ (375)	\$ (71)	\$ (44)	\$ (28)	\$ (24)	\$ 28	\$ (514)
Net income (loss) (3)	<u>\$ 1,857</u>	<u>\$ 169</u>	<u>\$ 93</u>	<u>\$ 69</u>	<u>\$ 51</u>	<u>\$ (52)</u>	<u>\$ 2,187</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. In the three and nine months ended September 30, 2011, the Telecommunications segment included a credit of \$22 million on the reduction in a contingent liability associated with an acquisition recorded in the first quarter of 2011.

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		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income of reportable segments	\$ 569	\$ 766	\$ 1,570	\$ 2,239
Non-reportable segments	(30)	(17)	(66)	(52)
Unallocated amounts:				
Net financing costs (1)	(55)	(47)	(139)	(146)
Stock-based compensation expense	(16)	(21)	(56)	(66)
Exploratory research	(27)	(23)	(74)	(59)
Corporate contributions	(13)	(6)	(36)	(38)
Equity in earnings of affiliated companies, net of impairments (2)	51	93	150	284
Asbestos settlement (3)	(3)	(5)	(9)	(15)
Other corporate items (4)	45	71	105	167
Net income	\$ 521	\$ 811	\$ 1,445	\$ 2,314

- (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. In the three and nine months ended September 30, 2012, Corning recorded a \$10 million credit for our share of Dow Corning Corporation's settlement of a dispute related to long term supply agreements.
- (3) In the three and nine months ended September 30, 2012, Corning recorded a charge of \$3 million and \$9 million, respectively, to adjust the asbestos liability for the change in value of the components of the Amended PCC Plan. In the three and nine months ended September 30, 2011, Corning recorded a charge of \$5 million and \$15 million, respectively, to adjust the asbestos liability for the change in value of the components of the Amended PCC Plan.
- (4) In the three months ended September 30, 2011, Corning recorded a \$41 million tax benefit from the filing of an amended 2006 U.S. Federal Tax return to claim foreign tax credits.

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 third quarter of 2012, we recorded a charge of \$3 million (\$2 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. Equity in Earnings of Affiliated Companies

In the third quarter of 2012, equity in earnings of affiliated companies included a \$10 million (\$9 million after-tax) credit for Corning's share of Dow Corning Corporation's settlement of a dispute related to long term supply agreements.

3. Weighted Average Shares Outstanding

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

	Three months ended		Three months
	September 30,		
	2012	2011	June 30, 2012
Basic	1,483	1,569	1,506
Diluted	1,494	1,588	1,518
Diluted used for non-GAAP measures	1,494	1,588	1,518

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

	2012				
	Q1	Q2	Q3	Nine Months Ended Sept. 30	
Display Technologies	\$ 705	\$ 641	\$ 763	\$ 2,109	
Telecommunications					
Fiber and cable	254	302	278	834	
Hardware and equipment	254	257	245	756	
	<u>508</u>	<u>559</u>	<u>523</u>	<u>1,590</u>	
Environmental Technologies					
Automotive	129	120	123	372	
Diesel	134	129	110	373	
	<u>263</u>	<u>249</u>	<u>233</u>	<u>745</u>	
Specialty Materials	288	296	363	947	
Life Sciences	155	162	155	472	
All Other	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	
Total	<u>\$ 1,920</u>	<u>\$ 1,908</u>	<u>\$ 2,038</u>	<u>\$ 5,866</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 September 30, 2012

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

Corning's net income and earnings per share (EPS) excluding special items for the third 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	\$ 0.34	\$ 601	\$ 514
<i>Special items:</i>			
Asbestos settlement (a)	-	(3)	(2)
Equity in earnings of affiliated companies (b)	0.01	10	9
Total EPS and net income	\$ 0.35	\$ 608	\$ 521

(a) In the third quarter of 2012, Corning recorded a charge of \$3 million (\$2 million after-tax) to adjust the asbestos liability for the change in value of the components of the Modified PCC Plan.

(b) In the third quarter of 2012, equity in earnings of affiliated companies included a \$10 million (\$9 million after-tax) credit for Corning's share of Dow Corning Corporation's settlement of a dispute related to long term supply agreements.

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 September 30, 2011

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

Corning's net income and earnings per share (EPS) excluding special items for the third 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	\$ 904	\$ 766
<i>Special items:</i>			
Contingent liability (a)	0.01	22	22
Asbestos settlement (b)	-	(5)	(3)
Provision for income taxes (c)	0.02	-	26
Total EPS and net income	\$ 0.51	\$ 921	\$ 811

- (a) In the third quarter of 2011, Corning recognized a credit of \$22 million resulting from a reduction to a contingent liability associated with an acquisition recorded in the first quarter of 2011.
- (b) In the third 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.
- (c) In the third quarter of 2011, Corning recorded a \$26 million net tax benefit related to prior year foreign tax credits and other tax adjustments.

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

Three and Nine Months Ended September 30, 2012

(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three and nine months ended September 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 September 30, 2012	Nine months ended September 30, 2012
	<u> </u>	<u> </u>
Cash flows from operating activities	\$ 634	\$ 1,966
Less: Cash flows from investing activities	(482)	(1,621)
Plus: Short-term investments – acquisitions	691	1,859
Less: Short-term investments – liquidations	<u>(629)</u>	<u>(1,618)</u>
Free cash flow	<u>\$ 214</u>	<u>\$ 586</u>