

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,	
	2011	2010	2011	2010
Net sales	\$ 2,005	\$ 1,712	\$ 3,928	\$ 3,265
Cost of sales	<u>1,116</u>	<u>885</u>	<u>2,165</u>	<u>1,707</u>
Gross margin	889	827	1,763	1,558
Operating expenses:				
Selling, general and administrative expenses	284	246	534	481
Research, development and engineering expenses	172	144	328	289
Amortization of purchased intangibles	4	2	7	4
Restructuring, impairment and other credits				(2)
Asbestos litigation charge (credit) (Note 1)	<u>5</u>	<u>5</u>	<u>10</u>	<u>(47)</u>
Operating income	424	430	884	833
Equity in earnings of affiliated companies	428	474	826	943
Interest income	5	2	9	5
Interest expense	(22)	(26)	(49)	(52)
Other income, net	<u>43</u>	<u>64</u>	<u>70</u>	<u>128</u>
Income before incomes taxes	878	944	1,740	1,857
Provision for income taxes	<u>(123)</u>	<u>(31)</u>	<u>(237)</u>	<u>(128)</u>
Net income attributable to Corning Incorporated	<u>\$ 755</u>	<u>\$ 913</u>	<u>\$ 1,503</u>	<u>\$ 1,729</u>
Earnings per common share attributable to Corning Incorporated:				
Basic (Note 2)	<u>\$ 0.48</u>	<u>\$ 0.59</u>	<u>\$ 0.96</u>	<u>\$ 1.11</u>
Diluted (Note 2)	<u>\$ 0.47</u>	<u>\$ 0.58</u>	<u>\$ 0.95</u>	<u>\$ 1.09</u>
Dividends declared per common share	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,609	\$ 4,598
Short-term investments, at fair value	1,748	1,752
Total cash, cash equivalents and short-term investments	6,357	6,350
Trade accounts receivable, net of doubtful accounts and allowances	1,252	973
Inventories	917	738
Deferred income taxes	439	431
Other current assets	364	367
Total current assets	9,329	8,859
Investments	5,029	4,372
Property, net of accumulated depreciation	9,755	8,943
Goodwill and other intangible assets, net	883	716
Deferred income taxes	2,679	2,790
Other assets	150	153
Total Assets	\$ 27,825	\$ 25,833
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 26	\$ 57
Accounts payable	1,052	798
Other accrued liabilities	1,005	1,131
Total current liabilities	2,083	1,986
Long-term debt	2,248	2,262
Postretirement benefits other than pensions	886	913
Other liabilities	1,302	1,246
Total liabilities	6,519	6,407
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,634 million and 1,626 million	817	813
Additional paid-in capital	12,989	12,865
Retained earnings	8,227	6,881
Treasury stock, at cost; Shares held: 66 million and 65 million	(1,242)	(1,227)
Accumulated other comprehensive income	464	43
Total Corning Incorporated shareholders' equity	21,255	19,375
Noncontrolling interests	51	51
Total equity	21,306	19,426
Total Liabilities and Equity	\$ 27,825	\$ 25,833

See accompanying notes to these financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Cash Flows from Operating Activities:				
Net income	\$ 755	\$ 913	\$ 1,503	\$ 1,729
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	232	206	458	412
Amortization of purchased intangibles	4	2	7	4
Asbestos litigation charges (credits)	5	5	10	(47)
Restructuring, impairment and other credits				(2)
Cash received from settlement of insurance claims			66	
Stock compensation charges	22	26	45	55
Undistributed earnings of affiliated companies	(359)	(417)	(437)	(658)
Deferred tax provision (benefit)	81	(40)	96	10
Restructuring payments	(4)	(19)	(13)	(50)
Credits issued against customer deposits	(7)	(38)	(14)	(68)
Employee benefit payments less than (in excess of) expense	34	(54)	68	(28)
Changes in certain working capital items:				
Trade accounts receivable	(122)	(73)	(243)	(193)
Inventories	(64)	(31)	(143)	(62)
Other current assets	(16)	8	(42)	40
Accounts payable and other current liabilities, net of restructuring payments	40	75	(43)	1
Other, net	(55)	109	(199)	172
Net cash provided by operating activities	546	672	1,119	1,315
Cash Flows from Investing Activities:				
Capital expenditures	(494)	(136)	(1,026)	(309)
Acquisitions of businesses, net of cash received			(148)	
Net proceeds from sale or disposal of assets			1	
Short-term investments – acquisitions	(962)	(670)	(1,845)	(894)
Short-term investments – liquidations	949	422	1,852	894
Other, net	2		4	2
Net cash used in investing activities	(505)	(384)	(1,162)	(307)
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(2)	(3)	(12)	(61)
Principal payments under capital lease obligations			(32)	
Proceeds from issuance of common stock, net		11		15
Proceeds from the exercise of stock options	9	8	73	29
Dividends paid	(79)	(78)	(158)	(156)
Net cash used in financing activities	(72)	(62)	(129)	(173)
Effect of exchange rates on cash	70	(87)	183	(162)
Net increase in cash and cash equivalents	39	139	11	673
Cash and cash equivalents at beginning of period	4,570	3,075	4,598	2,541
Cash and cash equivalents at end of period	\$ 4,609	\$ 3,214	\$ 4,609	\$ 3,214

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, 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>
Three months ended							
June 30, 2010							
Net sales	\$ 834	\$ 441	\$ 184	\$ 126	\$ 125	\$ 2	\$ 1,712
Depreciation (1)	\$ 129	\$ 32	\$ 25	\$ 12	\$ 8	\$ 3	\$ 209
Amortization of purchased intangibles					\$ 2		\$ 2
Research, development and engineering expenses (2)	\$ 21	\$ 28	\$ 23	\$ 20	\$ 4	\$ 28	\$ 124
Equity in earnings of affiliated companies	\$ 353	\$ 1	\$ 1			\$ 5	\$ 360
Income tax (provision) benefit	\$ (151)	\$ (14)	\$ (2)	\$ 9	\$ (9)	\$ 13	\$ (154)
Net income (loss) (3)	<u>\$ 756</u>	<u>\$ 30</u>	<u>\$ 5</u>	<u>\$ (17)</u>	<u>\$ 18</u>	<u>\$ (19)</u>	<u>\$ 773</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>
Six months ended							
June 30, 2010							
Net sales	\$ 1,616	\$ 805	\$ 376	\$ 222	\$ 243	\$ 3	\$ 3,265
Depreciation (1)	\$ 257	\$ 62	\$ 51	\$ 23	\$ 16	\$ 6	\$ 415
Amortization of purchased intangibles		\$ 1			\$ 3		\$ 4
Research, development and engineering expenses (2)	\$ 44	\$ 57	\$ 46	\$ 36	\$ 8	\$ 56	\$ 247
Restructuring, impairment and other credits				\$ (2)			\$ (2)
Equity in earnings of affiliated companies	\$ 697	\$ 1	\$ 4			\$ 16	\$ 718
Income tax (provision) benefit	\$ (283)	\$ (18)	\$ (7)	\$ 12	\$ (17)	\$ 24	\$ (289)
Net income (loss) (3)	<u>\$ 1,459</u>	<u>\$ 38</u>	<u>\$ 16</u>	<u>\$ (24)</u>	<u>\$ 35</u>	<u>\$ (34)</u>	<u>\$ 1,490</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 June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net income of reportable segments	\$ 742	\$ 792	\$ 1,473	\$ 1,524
Non-reportable segments	(20)	(19)	(35)	(34)
Unallocated amounts:				
Net financing costs (1)	(47)	(44)	(99)	(90)
Stock-based compensation expense	(22)	(26)	(45)	(55)
Exploratory research	(19)	(14)	(36)	(29)
Corporate contributions	(11)	(7)	(32)	(19)
Equity in earnings of affiliated companies, net of impairments (2)	100	114	191	225
Asbestos settlement (3)	(5)	(5)	(10)	47
Other corporate items (4)	37	122	96	160
Net income	\$ 755	\$ 913	\$ 1,503	\$ 1,729

- (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 six months ended June 30, 2010, equity earnings of affiliated companies, net of impairments, includes a credit of \$21 million for our share of U.S. advanced energy manufacturing tax credits at Dow Corning Corporation.
- (3) 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. In the three and six months ended June 30, 2010, Corning recorded a charge of \$5 million and a net credit of \$47 million, respectively, primarily to reflect the change in the terms of the proposed asbestos settlement.
- (4) In the six months ended June 30, 2010, other corporate items included a tax charge of \$56 million from the reversal of the deferred tax asset associated with a Medicare subsidy.

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 2011, 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.

In the second quarter of 2011, 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 of the Modified PCC Plan.

2. Weighted Average Shares Outstanding

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

	Three months ended June 30,		Three months ended
	2011	2010	March 31, 2011
Basic	1,568	1,558	1,565
Diluted	1,591	1,581	1,589
Diluted used for non-GAAP measures	1,591	1,581	1,589

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

	2011		
	March 31	June 30	Six Months Ended June 30
Display Technologies	\$ 790	\$ 760	\$ 1,550
Telecommunications			
Fiber and cable	248	265	513
Hardware and equipment	226	283	509
	<u>474</u>	<u>548</u>	<u>1,022</u>
Environmental Technologies			
Automotive	123	121	244
Diesel	136	137	273
	<u>259</u>	<u>258</u>	<u>517</u>
Specialty Materials	254	283	537
Life Sciences	144	155	299
All Other	<u>2</u>	<u>1</u>	<u>3</u>
Total	<u>\$ 1,923</u>	<u>\$ 2,005</u>	<u>\$ 3,928</u>

	2010				
	Q1	Q2	Q3	Q4	Total
Display Technologies	\$ 782	\$ 834	\$ 645	\$ 750	\$ 3,011
Telecommunications					
Fiber and cable	190	227	232	229	878
Hardware and equipment	174	214	232	214	834
	<u>364</u>	<u>441</u>	<u>464</u>	<u>443</u>	<u>1,712</u>
Environmental Technologies					
Automotive	117	109	119	117	462
Diesel	75	75	89	115	354
	<u>192</u>	<u>184</u>	<u>208</u>	<u>232</u>	<u>816</u>
Specialty Materials	96	126	159	197	578
Life Sciences	118	125	125	140	508
All Other	<u>1</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>7</u>
Total	<u>\$ 1,553</u>	<u>\$ 1,712</u>	<u>\$ 1,602</u>	<u>\$ 1,765</u>	<u>\$ 6,632</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, 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.

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

- (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

Three Months Ended March 31, 2011

(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 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.

	<u>Per Share</u>	<u>Income Before Income Taxes</u>	<u>Net Income</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.47	\$ 867	\$ 751
<i>Special items:</i>			
Asbestos settlement (a)	—	(5)	(3)
Total EPS and net income	<u>\$ 0.47</u>	<u>\$ 862</u>	<u>\$ 748</u>

- (a) In the first 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

Three Months Ended June 30, 2010

(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 2010 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 Before Income Taxes</u>	<u>Net Income</u>
Earnings per share (EPS) and net income, excluding special items	\$ 0.58	\$ 949	\$ 916
<i>Special items:</i>			
Asbestos settlement (a)	<u>—</u>	<u>(5)</u>	<u>(3)</u>
Total EPS and net income	<u>\$ 0.58</u>	<u>\$ 944</u>	<u>\$ 913</u>

- (a) In the second quarter of 2010, 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 and Six Months Ended June 30, 2011

(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three and six months ended June 30, 2011 is a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP financial measures are helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measures.

	Three months ended June 30, 2011	Six months ended June 30, 2011
Cash flows from operating activities	\$ 546	\$ 1,119
Less: Cash flows from investing activities	(505)	(1,162)
Plus: Short-term investments – acquisitions	962	1,845
Less: Short-term investments – liquidations	(949)	(1,852)
Free cash flow	<u>\$ 54</u>	<u>\$ (50)</u>