

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited; in millions, except per share amounts)

	Three months ended March 31,	
	<u>2011</u>	<u>2010</u>
Net sales	\$ 1,923	\$ 1,553
Cost of sales	<u>1,049</u>	<u>822</u>
Gross margin	874	731
Operating expenses:		
Selling, general and administrative expenses	250	235
Research, development and engineering expenses	156	145
Amortization of purchased intangibles	3	2
Restructuring, impairment and other credits		(2)
Asbestos litigation charge (credit) (Note 1)	<u>5</u>	<u>(52)</u>
Operating income	460	403
Equity in earnings of affiliated companies	398	469
Interest income	4	3
Interest expense	(27)	(26)
Other income, net	<u>27</u>	<u>64</u>
Income before incomes taxes	862	913
Provision for income taxes	<u>(114)</u>	<u>(97)</u>
Net income attributable to Corning Incorporated	<u>\$ 748</u>	<u>\$ 816</u>
Earnings per common share attributable to Corning Incorporated:		
Basic (Note 2)	<u>\$ 0.48</u>	<u>\$ 0.52</u>
Diluted (Note 2)	<u>\$ 0.47</u>	<u>\$ 0.52</u>
Dividends declared per common share	<u>\$ 0.05</u>	<u>\$ 0.05</u>

See accompanying notes to these financial statements.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited; in millions, except per share amounts)

	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,570	\$ 4,598
Short-term investments, at fair value	1,733	1,752
Total cash, cash equivalents and short-term investments	<u>6,303</u>	<u>6,350</u>
Trade accounts receivable, net of doubtful accounts and allowances	1,107	973
Inventories	841	738
Deferred income taxes	433	431
Other current assets	353	367
Total current assets	<u>9,037</u>	<u>8,859</u>
Investments	4,569	4,372
Property, net of accumulated depreciation	9,235	8,943
Goodwill and other intangible assets, net	885	716
Deferred income taxes	2,760	2,790
Other assets	174	153
<b>Total Assets</b>	<u>\$ 26,660</u>	<u>\$ 25,833</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 26	\$ 57
Accounts payable	949	798
Other accrued liabilities	919	1,131
Total current liabilities	<u>1,894</u>	<u>1,986</u>
Long-term debt	2,245	2,262
Postretirement benefits other than pensions	915	913
Other liabilities	1,251	1,246
Total liabilities	<u>6,305</u>	<u>6,407</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,633 million and 1,626 million	817	813
Additional paid-in capital	12,954	12,865
Retained earnings	7,550	6,881
Treasury stock, at cost; Shares held: 66 million and 65 million	(1,240)	(1,227)
Accumulated other comprehensive income	223	43
Total Corning Incorporated shareholders' equity	<u>20,304</u>	<u>19,375</u>
Noncontrolling interests	51	51
Total equity	<u>20,355</u>	<u>19,426</u>
<b>Total Liabilities and Equity</b>	<u>\$ 26,660</u>	<u>\$ 25,833</u>

See accompanying notes to these financial statements.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited; in millions)

	Three months ended March 31,	
	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 748	\$ 816
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	226	206
Amortization of purchased intangibles	3	2
Asbestos litigation charges (credits)	5	(52)
Restructuring, impairment and other credits		(2)
Cash received from settlement of insurance claims	66	
Stock compensation charges	23	29
Earnings of affiliated companies in excess of dividends received	(78)	(241)
Deferred tax provision	15	50
Restructuring payments	(9)	(31)
Credits issued against customer deposits	(7)	(30)
Employee benefit payments, net of payments	34	26
Changes in certain working capital items:		
Trade accounts receivable	(121)	(120)
Inventories	(79)	(31)
Other current assets	(26)	32
Accounts payable and other current liabilities, net of restructuring payments	(83)	(74)
Other, net	(144)	63
<b>Net cash provided by operating activities</b>	<b>573</b>	<b>643</b>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(532)	(173)
Acquisitions of businesses, net of cash received	(148)	
Net proceeds from sale or disposal of assets	1	
Short-term investments – acquisitions	(883)	(224)
Short-term investments – liquidations	903	472
Other, net	2	2
<b>Net cash (used in) provided by investing activities</b>	<b>(657)</b>	<b>77</b>
<b>Cash Flows from Financing Activities:</b>		
Net repayments of short-term borrowings and current portion of long-term debt	(10)	(58)
Principal payments under capital lease obligations	(32)	
Proceeds from issuance of common stock, net		4
Proceeds from the exercise of stock options	64	21
Dividends paid	(79)	(78)
<b>Net cash used in financing activities</b>	<b>(57)</b>	<b>(111)</b>
Effect of exchange rates on cash	113	(75)
Net (decrease) increase in cash and cash equivalents	(28)	534
Cash and cash equivalents at beginning of period	4,598	2,541
<b>Cash and cash equivalents at end of period</b>	<b>\$ 4,570</b>	<b>\$ 3,075</b>

**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
<b>Three months ended</b>							
<b>March 31, 2011</b>							
Net sales	\$ 790	\$ 474	\$ 259	\$ 254	\$ 144	\$ 2	\$ 1,923
Depreciation (1)	\$ 124	\$ 28	\$ 25	\$ 37	\$ 8	\$ 2	\$ 224
Amortization of purchased intangibles		\$ 1			\$ 2		\$ 3
Research, development and engineering expenses (2)	\$ 25	\$ 29	\$ 23	\$ 29	\$ 4	\$ 22	\$ 132
Equity in earnings of affiliated companies	\$ 294	\$ 3		\$ 3		\$ 7	\$ 307
Income tax (provision) benefit	\$ (139)	\$ (19)	\$ (14)	\$ (3)	\$ (7)	\$ 9	\$ (173)
Net income (loss) (3)	<u>\$ 638</u>	<u>\$ 41</u>	<u>\$ 29</u>	<u>\$ 8</u>	<u>\$ 15</u>	<u>\$ (15)</u>	<u>\$ 716</u>
<b>Three months ended</b>							
<b>March 31, 2010</b>							
Net sales	\$ 782	\$ 364	\$ 192	\$ 96	\$ 118	\$ 1	\$ 1,553
Depreciation (1)	\$ 128	\$ 30	\$ 26	\$ 11	\$ 8	\$ 3	\$ 206
Amortization of purchased intangibles		\$ 1			\$ 1		\$ 2
Research, development and engineering expenses (2)	\$ 23	\$ 29	\$ 23	\$ 16	\$ 4	\$ 28	\$ 123
Restructuring, impairment and other credits				\$ (2)			\$ (2)
Equity in earnings of affiliated companies	\$ 344		\$ 3			\$ 11	\$ 358
Income tax (provision) benefit	\$ (132)	\$ (4)	\$ (5)	\$ 3	\$ (8)	\$ 11	\$ (135)
Net income (loss) (3)	<u>\$ 703</u>	<u>\$ 8</u>	<u>\$ 11</u>	<u>\$ (7)</u>	<u>\$ 17</u>	<u>\$ (15)</u>	<u>\$ 717</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 March 31,	
	2011	2010
Net income of reportable segments	\$ 731	\$ 732
Non-reportable segments	(15)	(15)
Unallocated amounts:		
Net financing costs (1)	(52)	(46)
Stock-based compensation expense	(23)	(29)
Exploratory research	(17)	(15)
Corporate contributions	(21)	(12)
Equity in earnings of affiliated companies, net of impairments (2)	91	111
Asbestos litigation (3)	(5)	52
Other corporate items (4)	59	38
<b>Net income</b>	<b>\$ 748</b>	<b>\$ 816</b>

- (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 first quarter of 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 first quarter of 2011, Corning recorded a charge of \$5 million to adjust the asbestos liability for the change in value of components of the Modified PCC Plan. In the first quarter of 2010, Corning recorded a net credit of \$52 million primarily reflecting the change in the terms of the proposed asbestos settlement.
- (4) In the first quarter of 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**

On March 28, 2003, Corning announced that it had reached agreement with the representatives of asbestos claimants for the resolution of all current and future asbestos claims against Corning and Pittsburgh Corning Corporation (PCC) which might arise from PCC products or operations (the 2003 Plan). On December 21, 2006, the Bankruptcy Court issued an order denying confirmation of the 2003 Plan. On January 29, 2009, a proposed plan of reorganization (the Amended PCC Plan) resolving issues raised by the Court in denying the confirmation of the 2003 Plan was filed with the Bankruptcy Court.

As a result, Corning believes the Amended PCC Plan, modified as indicated below, now represents the most probable outcome of this matter and expects that the Amended PCC Plan will be confirmed by the Court. Corning believes the 2003 Plan no longer serves as the basis for the Company's best estimate of liability. The proposed arrangement under the Amended PCC Plan requires Corning to contribute its equity interest in PCC and Pittsburgh Corning Europe, N.V. (PCE) and to contribute a fixed series of cash payments recorded at present value. Corning will have the option to contribute shares rather than cash, but the liability is fixed by dollar value and not number of shares. The Amended PCC Plan does not include certain non-PCC asbestos claims that may be or have been raised against Corning. Corning has recorded an additional amount for such claims in its estimated asbestos litigation liability. In the first quarter of 2010, documents were filed with the Bankruptcy Court modifying the Amended PCC Plan by reducing the amount of cash expected to be contributed by Corning under the Amended PCC Plan in return for Corning relinquishing its claim for reimbursement of its payments and contributions under the Amended Plan from certain insurance carriers involved in the proceedings.

In the first 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):

	<b>Three months ended</b>		<b>Three months ended</b>
	<b>March 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>December 31, 2010</b>
Basic	1,565	1,555	1,560
Diluted	1,589	1,579	1,584
Diluted used for non-GAAP measures	1,589	1,579	1,584

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

	<u>2011</u>	<u>2010</u>				<u>Total</u>
	<u>Q1</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	
<b>Display Technologies</b>	\$ 790	\$ 782	\$ 834	\$ 645	\$ 750	\$ 3,011
<b>Telecommunications</b>						
Fiber and cable	248	190	227	232	229	878
Hardware and equipment	226	174	214	232	214	834
	<u>474</u>	<u>364</u>	<u>441</u>	<u>464</u>	<u>443</u>	<u>1,712</u>
<b>Environmental Technologies</b>						
Automotive	123	117	109	119	117	462
Diesel	136	75	75	89	115	354
	<u>259</u>	<u>192</u>	<u>184</u>	<u>208</u>	<u>232</u>	<u>816</u>
<b>Specialty Materials</b>	254	96	126	159	197	578
<b>Life Sciences</b>	144	118	125	125	140	508
<b>All Other</b>	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>7</u>
<b>Total</b>	<u>\$ 1,923</u>	<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 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.

	<b>Per Share</b>	<b>Income Before Income Taxes</b>	<b>Net Income</b>
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	\$ 0.47	\$ 862	\$ 748

(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 March 31, 2010**

(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 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.

	<b>Per Share</b>	<b>Income Before Income Taxes</b>	<b>Net Income</b>
Earnings per share (EPS) and net income, excluding special items	\$ 0.52	\$ 838	\$ 818
<i>Special items:</i>			
Restructuring, impairment, and other charges (a)	–	2	1
Asbestos settlement (b)	0.02	52	33
Equity in earnings of affiliated companies (c)	0.01	21	20
Provision for income taxes (d)	(0.03)	–	(56)
Total EPS and net income	\$ 0.52	\$ 913	\$ 816

- (a) In the first quarter of 2010, Corning recorded a credit of \$2 million (\$1 million after-tax) for adjustments to restructuring reserves.
- (b) In the first quarter of 2010, Corning recorded a net credit of \$52 million (\$33 million after-tax) primarily reflecting the change in estimate of our asbestos settlement liability.
- (c) In the first quarter of 2010, equity in earnings of affiliated companies included a credit of \$21 million (\$20 million after-tax) primarily for Corning's share of advanced energy manufacturing tax credits at Dow Corning Corporation.
- (d) In the first quarter of 2010, Corning recorded a \$56 million tax charge from the reversal of the deferred tax asset associated with a Medicare subsidy.

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

**Three Months Ended December 31, 2010**

(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 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.

	<b>Per Share</b>	<b>Income Before Income Taxes</b>	<b>Net Income</b>
Earnings per share (EPS) and net income, excluding special items	\$ 0.46	\$ 754	\$ 733
<i>Special items:</i>			
Insurance settlement (a)	0.13	324	206
Asbestos settlement (b)	—	8	5
Equity in earnings of affiliated companies (c)	0.07	103	100
<b>Total EPS and net income</b>	<b>\$ 0.66</b>	<b>\$ 1,189</b>	<b>\$ 1,044</b>

- (a) In the fourth quarter of 2010, Corning recorded \$324 million (\$206 million after-tax) on the settlement of business interruption and property damage insurance claims in the Display Technologies segment resulting from earthquake activity near the Shizuoka, Japan facility and a power disruption at the Taichung, Taiwan facility in 2009.
- (b) In the fourth quarter of 2010, Corning recorded a net credit of \$8 million (\$5 million after-tax) to adjust the asbestos liability for the change in value of the components of the modified PCC Plan.
- (c) In the fourth quarter of 2010, equity in earnings of affiliated companies included a credit of \$26 million (\$24 million after-tax) for our share of a release of valuation allowance on foreign deferred tax assets, a \$16 million (\$15 million after-tax) credit for our share of excess foreign tax credits from foreign dividends and a \$61 million credit for our share of a revised Samsung Corning Precision tax holiday calculation agreed to by the Korean National Tax Service.

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

**Three Months Ended March 31, 2011 and December 31, 2010**

(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months ended March 31, 2011 and December 31, 2010 are 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.

	<b>Three months ended March 31, 2011</b>	<b>Three months ended December 31, 2010</b>
	<hr/>	<hr/>
Cash flows from operating activities	\$ 573	\$2,092
Less: Cash flows from investing activities	(657)	(560)
Plus: Short-term investments – acquisitions	883	768
Less: Short-term investments – liquidations	<hr/> (903)	<hr/> (743)
Free cash flow	<hr/> \$(104)	<hr/> \$1,557