

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

	Three months ended March 31,	
	2012	2011
Net sales	\$ 1,920	\$ 1,923
Cost of sales	1,106	1,049
Gross margin	814	874
Operating expenses:		
Selling, general and administrative expenses	279	250
Research, development and engineering expenses	187	156
Amortization of purchased intangibles	5	3
Asbestos litigation charge (Note 1)	1	5
Operating income	342	460
Equity in earnings of affiliated companies	218	398
Interest income	4	4
Interest expense	(20)	(27)
Other income, net	29	27
Income before income taxes	573	862
Provision for income taxes	(111)	(114)
Net income attributable to Corning Incorporated	\$ 462	\$ 748
Earnings per common share attributable to Corning Incorporated:		
Basic (Note 2)	\$ 0.30	\$ 0.48
Diluted (Note 2)	\$ 0.30	\$ 0.47
Dividends declared per common share	\$ 0.075	\$ 0.050

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited; in millions)

	Three months ended March 31,	
	<u>2012</u>	<u>2011</u>
Net income attributable to Corning Incorporated	\$ 462	\$ 748
Other comprehensive (loss) / income, net of tax	<u>(51)</u>	<u>180</u>
Comprehensive income attributable to Corning Incorporated	<u>\$ 411</u>	<u>\$ 928</u>

See accompanying notes to these financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,490	\$ 4,661
Short-term investments, at fair value	1,346	1,164
Total cash, cash equivalents and short-term investments	6,836	5,825
Trade accounts receivable, net of doubtful accounts and allowances	1,108	1,082
Inventories	955	975
Deferred income taxes	423	448
Other current assets	479	347
Total current assets	9,801	8,677
Investments	4,554	4,726
Property, net of accumulated depreciation	10,373	10,671
Goodwill and other intangible assets, net	922	926
Deferred income taxes	2,580	2,652
Other assets	259	196
Total Assets	\$ 28,489	\$ 27,848
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 27	\$ 27
Accounts payable	847	977
Other accrued liabilities	907	1,093
Total current liabilities	1,781	2,097
Long-term debt	3,135	2,364
Postretirement benefits other than pensions	900	897
Other liabilities	1,306	1,361
Total liabilities	7,122	6,719
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,644 million and 1,636 million	822	818
Additional paid-in capital	13,077	13,041
Retained earnings	9,679	9,332
Treasury stock, at cost; Shares held: 129 million and 121 million	(2,121)	(2,024)
Accumulated other comprehensive loss	(140)	(89)
Total Corning Incorporated shareholders' equity	21,317	21,078
Noncontrolling interests	50	51
Total equity	21,367	21,129
Total Liabilities and Equity	\$ 28,489	\$ 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 March 31,	
	2012	2011
Cash Flows from Operating Activities:		
Net income	\$ 462	\$ 748
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	235	226
Amortization of purchased intangibles	5	3
Cash received from settlement of insurance claims		66
Stock compensation charges	24	23
Earnings of affiliated companies less than (in excess of) dividends received	300	(78)
Deferred tax provision	47	15
Employee benefit payments (in excess of) less than expense	(66)	34
Changes in certain working capital items:		
Trade accounts receivable	(49)	(121)
Inventories	12	(79)
Other current assets	(47)	(26)
Accounts payable and other current liabilities, net of restructuring payments	(51)	(83)
Other, net	(110)	(155)
Net cash provided by operating activities	<u>762</u>	<u>573</u>
Cash Flows from Investing Activities:		
Capital expenditures	(412)	(532)
Acquisition of business, net of cash received		(148)
Short-term investments – acquisitions	(528)	(883)
Short-term investments – liquidations	341	903
Other, net	(5)	3
Net cash used in investing activities	<u>(604)</u>	<u>(657)</u>
Cash Flows from Financing Activities:		
Net repayments of short-term borrowings and current portion of long-term debt	(10)	(10)
Principal payments under capital lease obligations	(1)	(32)
Proceeds from issuance of long-term debt, net	791	
Payments to settle interest rate hedges	(18)	
Proceeds from the exercise of stock options	16	64
Repurchases of common stock for treasury	(72)	
Dividends paid	(114)	(79)
Net cash provided by (used in) financing activities	<u>592</u>	<u>(57)</u>
Effect of exchange rates on cash	79	113
Net increase (decrease) in cash and cash equivalents	829	(28)
Cash and cash equivalents at beginning of period	4,661	4,598
Cash and cash equivalents at end of period	<u>\$ 5,490</u>	<u>\$ 4,570</u>

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							
March 31, 2012							
Net sales	\$ 705	\$ 508	\$ 263	\$ 288	\$ 155	\$ 1	\$ 1,920
Depreciation (1)	\$ 129	\$ 30	\$ 28	\$ 34	\$ 10	\$ 3	\$ 234
Amortization of purchased intangibles		\$ 3			\$ 2		\$ 5
Research, development and engineering expenses (2)	\$ 27	\$ 35	\$ 26	\$ 37	\$ 6	\$ 27	\$ 158
Equity in earnings (loss) of affiliated companies	\$ 182	\$ (4)	\$ 1			\$ 4	\$ 183
Income tax (provision) benefit	\$ (96)	\$ (12)	\$ (20)	\$ (11)	\$ (6)	\$ 10	\$ (135)
Net income (loss) (3)	<u>\$ 421</u>	<u>\$ 21</u>	<u>\$ 40</u>	<u>\$ 21</u>	<u>\$ 12</u>	<u>\$ (20)</u>	<u>\$ 495</u>
Three months ended							
March 31, 2011							
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>

- (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,	
	2012	2011
Net income of reportable segments	\$ 515	\$ 731
Non-reportable segments	(20)	(15)
Unallocated amounts:		
Net financing costs (1)	(40)	(52)
Stock-based compensation expense	(24)	(23)
Exploratory research	(23)	(17)
Corporate contributions	(13)	(21)
Equity in earnings of affiliated companies, net of impairments (2)	35	91
Asbestos settlement (3)	(1)	(5)
Other corporate items	33	59
Net income	\$ 462	\$ 748

- (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 first quarter of 2012, Corning recorded a charge of \$1 million to adjust the asbestos liability for the change in value of components of the Amended PCC Plan. 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 Amended 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 first quarter of 2012, we recorded a charge of \$1 million (\$1 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		Three months
	March 31,		
	2012	2011	December 31, 2011
Basic	1,516	1,565	1,546
Diluted	1,530	1,589	1,564
Diluted used for non-GAAP measures	1,530	1,589	1,564

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

	<u>2012</u>	<u>2011</u>				
	<u>Q1</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Display Technologies	\$ 705	\$ 790	\$ 760	\$ 815	\$ 780	\$ 3,145
Telecommunications						
Fiber and cable	254	248	265	276	262	1,051
Hardware and equipment	254	226	283	284	228	1,021
	<u>508</u>	<u>474</u>	<u>548</u>	<u>560</u>	<u>490</u>	<u>2,072</u>
Environmental Technologies						
Automotive	129	123	121	119	113	476
Diesel	134	136	137	128	121	522
	<u>263</u>	<u>259</u>	<u>258</u>	<u>247</u>	<u>234</u>	<u>998</u>
Specialty Materials	288	254	283	299	238	1,074
Life Sciences	155	144	155	153	143	595
All Other	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>6</u>
Total	<u>\$ 1,920</u>	<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 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 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.

	Per Share	Income Before Income Taxes	Net Income
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 Amended PCC Plan.

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

Three Months Ended December 31, 2011

(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 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	\$ 0.33	\$ 606	\$ 513
<i>Special items:</i>			
Contingent liability (a)	–	5	5
Restructuring, impairment, and other credits (b)	(0.05)	(130)	(83)
Asbestos settlement (c)	–	(9)	(5)
Equity in earnings of affiliated companies (d)	0.04	80	74
Provision for income taxes (e)	(0.01)	–	(13)
Total EPS and net income	\$ 0.31	\$ 552	\$ 491

- (a) In the fourth quarter of 2011, Corning recognized a credit of \$5 million resulting from a reduction in a contingent liability associated with an acquisition recorded in the first quarter of 2011.
- (b) In the fourth quarter of 2011, Corning recorded a \$130 million (\$83 million after-tax) asset impairment charge for certain long-lived assets in our Specialty Materials segment.
- (c) In the fourth quarter of 2011, Corning recorded a charge of \$9 million (\$5 million after-tax) to adjust the asbestos liability for the change in value of the components of the Amended PCC Plan.
- (d) In the fourth quarter of 2011, equity in earnings of affiliated companies included a \$80 million (\$74 million after-tax) credit for Corning's share of the future portion of Dow Corning Corporation's settlement of a dispute related to long term supply agreements.
- (e) In the fourth quarter of 2011, Corning recorded a \$13 million net tax provision related to the adjustment of deferred taxes as a result of enacted tax rate reductions primarily in Japan.

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

Three Months Ended March 31, 2012 and December 31, 2011

(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months ended March 31, 2012 and December 31, 2011 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.

	Three months ended March 31, 2012	Three months ended December 31, 2011
Cash flows from operating activities	\$ 762	\$ 1,157
Less: Cash flows from investing activities	(604)	(476)
Plus: Short-term investments – acquisitions	528	389
Less: Short-term investments – liquidations	(341)	(745)
Free cash flow	\$ 345	\$ 325