BANK OF NOVA SCOTIA /
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Pricing Supplement dated September 7, 2012 to the

Prospectus dated February 13, 2012,

Prospectus Supplement dated February 29, 2012 and Product Prospectus Supplement (Equity Linked Index Notes, Series A) dated April 4, 2012

The Bank of Nova Scotia

$2,020,000

Capped Buffered Enhanced Participation Notes, Series A

Linked to the MSCI EAFE Index

Due March 12, 2014

The notes do not bear interest. The amount that you will be paid on your notes at maturity is based on the performance of the MSCI EAFE Index (which we refer to as the reference asset) as measured from the trade date to and including the valuation date. **If the percentage change (defined below) of the reference asset is less than 10.00% (the final level is less than the initial level by more than 10.00%), you will lose a portion of your investment in the notes on an accelerated basis and may lose all or a substantial portion of your investment depending on the performance of the reference asset. Additionally, the amount you may receive for each $1,000 principal amount of your notes at maturity is subject to a maximum redemption amount of $1,210.00. Any payment on your notes is subject to the creditworthiness of The Bank of Nova Scotia.**

To determine your payment at maturity, we will first calculate the percentage increase or decrease in the final level (determined on the valuation date, subject to adjustment) from the initial level of 1,514.00 (which is the closing level of the reference asset on the pricing date), which we refer to as the percentage change. The percentage change may reflect a positive return (based on any increase in the level of the reference asset over the life of the notes) or a negative return (based on any decrease in the level of the reference asset over the life of the notes). At maturity, for each $1,000 principal amount of your notes:

if the final level is *greater than* the initial level (the percentage change is *positive*), you will receive an amount in cash equal to the *sum* of (i) $1,000 *plus* (ii) the *product* of $1,000 *times* the percentage change, times the participation rate of 200%, subject to the maximum redemption amount;

if the final level is *less than* or *equal to* the initial level but not by more than 10.00% (the percentage change is *zero* or *negative* but not below 10.00%), you will receive an amount in cash equal to $1,000; or

if the final level is *less than* the initial level by more than 10.00% (the percentage change is *negative* and *is below* 10.00%), you will receive an amount in cash *equal to* the *sum of:* (1) $1,000 *plus* (2) the *product of* (i) $1,000 *times* (ii) approximately 1.1111 *times* (iii) the *sum* of the percentage change *plus* 10.00%. You will receive less than $1,000.

Following the determination of the initial level, the amount you will be paid on your notes at maturity will not be affected by the closing level of the reference asset on any day other than the valuation date. You could lose all or a substantial portion of your investment in the notes. A percentage decrease of more than 10.00% between the initial level and the final level will reduce the payment you will receive at maturity below the principal amount of your notes. Further, the maximum payment that you could receive at maturity with respect to each $1,000 principal amount of your notes (the

minimum denomination) is limited to the maximum redemption amount of $1,210.00. In addition, the notes will not bear interest, and no other payments on your notes will be made prior to maturity.

Assuming no changes in market conditions or our creditworthiness and other relevant factors, the value of your notes on trade date (estimated value) (as determined by reference to pricing models used by Goldman, Sachs & Co. and taking into account credit spreads of The Bank of Nova Scotia) is, and the price you receive for your notes may be, significantly less than the original issue price. The value or quoted price of your notes at any time will reflect many factors and cannot be predicted. However, the price at which Goldman, Sachs & Co., as a potential dealer, would initially buy or sell notes (if Goldman, Sachs & Co. makes a market) and the value that Goldman, Sachs & Co. will initially use for account statements and otherwise will significantly exceed the value of your notes using such pricing models. The amount of the excess will decline on a straight line basis over the period from the date hereof through December 7, 2012.

The Capped Buffered Enhanced Participation Notes, Series A Linked to the MSCI EAFE Index Due March 12, 2014 (the Notes) offered hereunder are unsecured obligations of The Bank of Nova Scotia (the Bank) and are subject to investment risks including possible loss of the principal amount invested due to the negative performance of the reference asset and the credit risk of The Bank of Nova Scotia. As used in this pricing supplement, the Bank, we, us or our refers to The Bank of Nova Scotia.

The Notes will not be listed on any U.S. securities exchange or automated quotation system.

The return on your Notes, if any, relates to the price return of the reference asset and will not include a total return or dividend component. The Notes are derivative products based on the performance of the reference asset. The Notes do not constitute a direct investment in any of the shares, units or other securities represented by the reference asset. By acquiring Notes, you will not have a direct economic or other interest in, claim or entitlement to, or any legal or beneficial ownership of any such share, unit or security and will not have any rights as a shareholder, unitholder or other security holder of any of the issuers including, without limitation, any voting rights or rights to receive dividends or other distributions.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC), THE ONTARIO SECURITIES COMMISSION (OSC) NOR ANY PROVINCIAL OR STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE NOTES OR PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS DOCUMENT, THE ACCOMPANYING PROSPECTUS, PROSPECTUS SUPPLEMENT OR PRODUCT PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE NOTES ARE NOT INSURED BY THE CANADA DEPOSIT INSURANCE CORPORATION PURSUANT TO THE CANADA DEPOSIT INSURANCE CORPORATION ACT OR THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OF CANADA, THE UNITED STATES OR ANY OTHER JURISDICTION.

Scotia Capital (USA) Inc., our affiliate, will purchase the Notes from us for distribution to other registered broker dealers or will offer the Notes directly to investors. Scotia Capital (USA) Inc. or any of its affiliates or agents may use this pricing supplement in market-making transactions in Notes after their initial sale. Unless we, Scotia Capital (USA) Inc. or another of its affiliates or agents selling such Notes to you informs you otherwise in the confirmation of sale, this pricing supplement is being used in a market-making transaction. See Supplemental Plan of Distribution (Conflicts of Interest) in this pricing supplement and Supplemental Plan of Distribution on page PS-28 of the accompanying product prospectus supplement.

	Per Note	Total
Price to public	100.00%	$ 2,020,000
Underwriting commissions[1]	0.25%	$ 5,050
Proceeds to The Bank of Nova Scotia[2]	99.75%	$ 2,014,950

Investment in the Notes involves certain risks. You should refer to Additional Risks in this pricing supplement and Additional Risk Factors Specific to the Notes beginning on page PS-5 of the accompanying product prospectus supplement and Risk Factors beginning on page S-2 of the accompanying prospectus supplement.

We will deliver the Notes in book-entry form through the facilities of The Depository Trust Company (DTC) on September 14, 2012 against payment in immediately available funds.

The difference between the estimated value of your Notes and the original issue price reflects costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the Notes. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Notes. As a result, you may experience an immediate and substantial decline in the market value of your Notes on the trade date and you may lose all or a substantial portion of your initial investment. The Bank s profit in relation to the Notes will vary based on the difference between (i) the amounts received by the Bank in connection with the issuance and the reinvestment return received by the Bank in connection with those funds and (ii) the costs incurred by the Bank in connection with the issuance of the Notes and the hedging transactions it enters into with its affiliates or Goldman, Sachs & Co. The Bank s affiliates and Goldman, Sachs & Co. will also realize a profit that will be based on the (i) cost of creating and maintaining the hedging transactions minus (ii) the payments received on the hedging transactions.

We may decide to sell additional Notes after the date of this pricing supplement, at issue prices and with underwriting discounts and net proceeds that differ from the amounts set forth above.

Scotia Capital (USA) Inc. **Goldman, Sachs & Co.**

[1] Scotia Capital (USA) Inc. or one of our affiliates will purchase the Notes at the Principal Amount and as part of the distribution of the Notes may pay varying discounts and underwriting commissions of up to $2.50 per $1,000 Principal Amount of Notes in connection with the distribution of the Notes. Scotia Capital (USA) Inc. may also receive a structuring and development fee of up to $0.50 per $1,000 Principal Amount of Notes. See Supplemental Plan of Distribution (Conflicts of Interest) in this pricing supplement.

[2] Excludes profits from hedging. For additional considerations relating to hedging activities see Additional Risks The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price is Likely to Adversely Affect Secondary Market Prices in this pricing supplement.

Summary

The information in this Summary section is qualified by the more detailed information set forth in this pricing supplement, the prospectus, the prospectus supplement, and the product prospectus supplement, each filed with the SEC. See Additional Terms of Your Notes in this pricing supplement.

Issuer:	The Bank of Nova Scotia (the Bank)
Reference Asset:	The MSCI EAFE Index (Bloomberg Ticker: MXEA)
Minimum Investment and Denominations:	$1,000 and integral multiples of $1,000 in excess thereof
Principal Amount:	$1,000 per Note
Original Issue Price:	100% of the Principal Amount of each Note
Currency:	U.S. Dollars
Pricing Date:	September 7, 2012
Trade Date:	September 7, 2012
Original Issue Date:	September 14, 2012
Maturity Date:	March 12, 2014, subject to adjustment as described in more detail in the accompanying product prospectus supplement dated April 4, 2012.
Principal at Risk:	You may lose all or a substantial portion of your initial investment at maturity if there is a percentage decrease from the Initial Level to the Final Level of more than 10.00%.
Fees and Expenses:	Scotia Capital (USA) Inc. or one of our affiliates may pay varying discounts and underwriting commissions of up to $2.50 per $1,000 Principal Amount of Notes in connection with the distribution of the Notes. Scotia Capital (USA) Inc. may also receive a structuring and development fee of up to $0.50 per $1,000 Principal Amount of Notes. The price at which you purchase the Notes includes costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the Notes, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Notes. As a result, you may experience an immediate and substantial decline in the market value of your Notes on the Trade Date. See Additional Risks The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price is Likely to Adversely Affect Secondary Market Prices in this pricing supplement.
Payment at Maturity:	The Payment at Maturity will be based on the performance of the Reference Asset and will be calculated as follows: If the Final Level is greater than the Initial Level, then the Payment at Maturity will equal: the lesser of (a) the Principal Amount + (Principal Amount x Participation Rate x Percentage Change) or (b) the Maximum Redemption Amount

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	If the Final Level is greater than or equal to the Buffer Level, but less than or equal to the Initial Level, then the Payment at Maturity will equal the Principal Amount. If the Final Level is less than the Buffer Level, then the Payment at Maturity will equal: Principal Amount + [Principal Amount × Buffer Rate x (Percentage Change + Buffer Percentage)] ***In this case you will suffer a loss on your initial investment in an amount equal to the Buffer Rate multiplied by the negative Percentage Change in excess of the Buffer Percentage. Accordingly, you could lose up to 100% of your initial investment.***
Initial Level:	1,514.00
Final Level:	The final level of the Reference Asset will be determined based upon the closing level published on the Bloomberg page MXEA<Index> or any successor page on Bloomberg or any successor service, as applicable, on the Valuation Date. In certain special circumstances, the final level will be determined by the Calculation Agent, in its discretion, and such determinations will, under certain circumstances, be confirmed by an independent calculation expert. See General Terms of the Notes Unavailability of the Level of the Reference Asset on a Valuation Date and General Terms of the Notes Market Disruption Events beginning on page PS-17 and Appointment of Independent Calculation Experts on page PS-20, in the accompanying product prospectus supplement.
Percentage Change:	The Percentage Change, expressed as a percentage, with respect to the Payment at Maturity, is calculated as follows: $\frac{\text{Final Level} \quad \text{Initial Level}}{\text{Initial Level}}$ For the avoidance of doubt, the Percentage Change may be a negative value.
Buffer Level:	1,362.60 (equal to the Initial Level multiplied by the difference of 100% minus the Buffer Percentage).
Buffer Percentage:	10.00%
Buffer Rate:	$\frac{\text{Initial Level}}{\text{Buffer Level}}$, which equals approximately 111.11%
Participation Rate:	200%
Maximum Redemption Amount:	$1,210.00, which equals Principal Amount x 121.00%. The Maximum Redemption Amount sets a cap on appreciation of the Reference Asset of 10.50%.

Valuation Date:	March 7, 2014 The Valuation Date could be delayed by the occurrence of a market disruption event. See General Terms of the Notes Market Disruption Events beginning on page PS-17 in the accompanying product prospectus supplement.
CUSIP/ISIN:	CUSIP 064159676 / ISIN US0641596764
Form of Notes:	Book-entry
Type of Notes:	Capped Buffered Enhanced Participation Notes, Series A
Calculation Agent:	Scotia Capital Inc., an affiliate of the Bank
Status:	The Notes will constitute direct, unsubordinated and unsecured obligations of the Bank ranking *pari passu* with all other direct, unsecured and unsubordinated indebtedness of the Bank from time to time outstanding (except as otherwise prescribed by law). Holders will not have the benefit of any insurance under the provisions of the *Canada Deposit Insurance Corporation Act*, the U.S. *Federal Deposit Insurance Act* or under any other deposit insurance regime.
Tax Redemption:	The Bank (or its successor) may redeem the Notes, in whole but not in part, at a redemption price determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position, if it is determined that changes in tax laws or their interpretation will result in the Bank (or its successor) becoming obligated to pay additional amounts with respect to the Notes. See Tax Redemption below.
Listing:	The Notes will not be listed on any securities exchange or quotation system.
Use of Proceeds:	General corporate purposes
Clearance and Settlement:	Depository Trust Company
Business Day:	New York and Toronto
Terms Incorporated:	All of the terms appearing above the item under the caption General Terms of the Notes beginning on page PS-12 in the accompanying product prospectus supplement, as modified by this pricing supplement.

INVESTING IN THE NOTES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE YOUR ENTIRE PRINCIPAL AMOUNT. THE DOWNSIDE MARKET EXPOSURE TO THE REFERENCE ASSET IS BUFFERED ONLY AT MATURITY. ANY PAYMENT ON THE NOTES, INCLUDING ANY REPAYMENT OF PRINCIPAL, IS SUBJECT TO THE CREDITWORTHINESS OF THE BANK. IF THE BANK WERE TO DEFAULT ON ITS PAYMENT OBLIGATIONS YOU MAY NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE NOTES AND YOU COULD LOSE YOUR ENTIRE INVESTMENT.

ADDITIONAL TERMS OF YOUR NOTES

You should read this pricing supplement together with the prospectus dated February 13, 2012, as supplemented by the prospectus supplement dated February 29, 2012 and the product prospectus supplement (Equity Linked Index Notes, Series A) dated April 4, 2012, relating to our Senior Note Program, Series A, of which these Notes are a part. Capitalized terms used but not defined in this pricing supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this pricing supplement will control. ***The Notes may vary from the terms described in the accompanying product prospectus supplement in several important ways. You should read this pricing supplement carefully.***

This pricing supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in Additional Risk Factors Specific to the Notes in the accompanying product prospectus supplement, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the SEC website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website at http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000009631):

Prospectus dated February 13, 2012:

http://sec.gov/Archives/edgar/data/9631/000119312512057287/d296062df9a.htm

Prospectus Supplement dated February 29, 2012:

http://sec.gov/Archives/edgar/data/9631/000119312512090175/d300613dsuppl.htm

Product Prospectus Supplement for Equity Linked Index Notes, Series A dated April 4, 2012:

http://sec.gov/Archives/edgar/data/9631/000119312512149817/d310079dsuppl.htm

The Bank of Nova Scotia has filed a registration statement (including a prospectus, a prospectus supplement, and a product prospectus supplement) with the SEC for the offering to which this pricing supplement relates. Before you invest, you should read those documents and the other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC Website at www.sec.gov. Alternatively, The Bank of Nova Scotia, any agent or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement and the product prospectus supplement if you so request by calling 1-416-866-3672.

INVESTOR SUITABILITY

The Notes may be suitable for you if:

- You fully understand the risks inherent in an investment in the Notes, including the risk of losing your entire initial investment.

- You can tolerate a loss of up to 100% of your initial investment and are willing to make an investment that may have an accelerated downside risk greater than the downside market risk of an investment in the Reference Asset or in the Reference Asset constituent stocks, subject to the Buffer Percentage.

You believe that the Reference Asset will appreciate over the term of the Notes and that the appreciation is unlikely to exceed the Maximum Redemption Amount.

You understand and accept that your potential return is limited to the Maximum Redemption Amount and you are willing to invest in the Notes based on the Maximum Redemption Amount.

You can tolerate fluctuations in the price of the Notes prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Reference Asset.

You do not seek current income from your investment.

- You are willing to hold the Notes to maturity, a term of 18 months, and accept that there may be little or no secondary market for the Notes.
- You are willing to assume the credit risk of the Bank for all payments under the Notes, and understand that if the Bank defaults on its obligations you may not receive any amounts due to you including any repayment of principal.

The Notes may not be suitable for you if:

- You do not fully understand the risks inherent in an investment in the Notes, including the risk of losing your entire initial investment.
- You require an investment designed to guarantee a full return of principal at maturity.
- You cannot tolerate a loss of all or a substantial portion of your initial investment and are not willing to make an investment that may have an accelerated downside risk greater than the downside market risk as an investment in the Reference Asset or in the Reference Asset constituent stocks, subject to the Buffer Percentage.
- You believe that the level of the Reference Asset will decline during the term of the Notes and the Final Level will likely decline below the Initial Level by a percentage that is greater than the Buffer Percentage, or you believe the Reference Asset will appreciate over the term of the Notes and that the appreciation is likely to equal or exceed the Maximum Redemption Amount.
- You seek an investment that has unlimited return potential without a cap on appreciation and you are unwilling to invest in the Notes based on the Maximum Redemption Amount.
- You cannot tolerate fluctuations in the price of the Notes prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Reference Asset.
- You seek current income from your investment or prefer to receive dividends paid on the stocks included in the Reference Asset.
- You are unwilling to hold the Notes to maturity, a term of 18 months, or you seek an investment for which there will be a secondary market.
- You are not willing to assume the credit risk of the Bank for all payments under the Notes.

The investor suitability considerations identified above are not exhaustive. Whether or not the Notes are a suitable investment for you will depend on your individual circumstances and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the Notes in light of your particular circumstances. You should also review Additional Risks in this pricing supplement and the Additional Risk Factors Specific to the Notes beginning on page PS-5 of the Product Prospectus Supplement for Equity Linked Index Notes, Series A for risks related to an investment in the Notes.

EVENTS OF DEFAULT AND ACCELERATION

If the Notes have become immediately due and payable following an event of default (as defined in the accompanying prospectus) with respect to the Notes, the Calculation Agent will determine the default amount as described below.

Default Amount

The default amount for your Notes on any day (except as provided in the last sentence under Default Quotation Period below) will be an amount, in the specified currency for the principal of your Notes, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to your Notes as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to your Notes. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys fees, incurred by the trustees of your Notes in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for your Notes, described below, the trustees and/or the Bank may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest or, if there is only one, the only quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two business days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due (the due day) and ending on the third business day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five business days after the due day as described above.

If either of these two events occurs, the default quotation period will continue until the third business day after the first business day on which prompt notice of an objection is given as described above. If that quotation is objected to as described above within five business days after that first business day, however, the default quotation period will continue as described in the prior sentence and this sentence.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and that is, or whose securities are, rated either:

A-1 or higher by Standard & Poor s Ratings Services, or any successor, or any other comparable rating then used by that rating agency, or

P-1 or higher by Moody s Investors Service or any successor, or any other comparable rating then used by that rating agency.

If the Notes have become immediately due and payable following an event of default, you will not be entitled to any additional payments with respect to the Notes. For more information, see Description of the Debt Securities Events of Default beginning on page I-13 of the accompanying prospectus.

TAX REDEMPTION

The Bank (or its successor) may redeem the Notes, in whole but not in part, at a redemption price determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position, upon the giving of a notice as described below, if:

- as a result of any change (including any announced prospective change) in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Canada (or the jurisdiction of organization of the successor to the Bank) or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the Pricing Date (or, in the case of a successor to the Bank, after the date of succession), and which in the written opinion to the Bank (or its successor) of legal counsel of recognized standing has resulted or will result (assuming, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which a payment is due, additional amounts with respect to the Notes; or

- on or after the Pricing Date (or, in the case of a successor to the Bank, after the date of succession), any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, Canada (or the jurisdiction of organization of the successor to the Bank) or any political subdivision or taxing authority thereof or therein, including any of those actions specified in the paragraph immediately above, whether or not such action was taken or decision was rendered with respect to the Bank (or its successor), or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the written opinion to the Bank (or its successor) of legal counsel of recognized standing, will result (assuming, that such change, amendment or action is applied to the Notes by the taxing authority and that, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which a payment is due, additional amounts with respect to the Notes;

and, in any such case, the Bank (or its successor), in its business judgment, determines that such obligation cannot be avoided by the use of reasonable measures available to it (or its successor).

The redemption price will be determined by the Calculation Agent, in its discretion, and such determination will, under certain circumstances, be confirmed by an independent calculation expert. See General Terms of the Notes Appointment of Independent Calculation Experts on page PS-20, in the accompanying product prospectus supplement.

In the event the Bank elects to redeem the Notes pursuant to the provisions set forth in the preceding paragraph, it shall deliver to the trustees a certificate, signed by an authorized officer, stating that the Bank is entitled to redeem such Notes pursuant to their terms in whole only.

The Bank will give notice of intention to redeem such Notes to holders of the Notes not more than 45 nor less than 30 days prior to the date fixed for redemption specifying, among other things, the date fixed for redemption, and on or promptly after the redemption date, it will give notice of the redemption price.

Other than as described above, the Notes are not redeemable prior to their maturity.

HYPOTHETICAL PAYMENTS ON THE NOTES

The examples set out below are included for illustration purposes only. The hypothetical Percentage Changes of the Reference Asset used to illustrate the calculation of the Payment at Maturity (rounded to two decimal places) are not estimates or forecasts of the Initial Level, the Final Level or the level of the Reference Asset on the Valuation Date or on any Trading Day prior to the Maturity Date. All examples assume that a holder purchased Notes with an aggregate Principal Amount of $1,000.00, a Buffer Percentage of 10.00% (the Buffer Level is 90.00% of the Initial Level), a Buffer Rate of 111.11%, a Maximum Redemption Amount of $1,210.00 (121.00% of the Principal Amount) and that no market disruption event occurs on the Valuation Date. Amounts below may have been rounded for ease of analysis.

Example 1 Calculation of the Payment at Maturity where the Percentage Change is positive.

Percentage Change: 5.00%

Payment at Maturity: $1,000.00 + ($1,000.00 x 200.00% x 5.00%) = $1,000.00 + $100.00 = $1,100.00

On a $1,000.00 investment, a 5.00% Percentage Change results in a Payment at Maturity of $1,100.00, a 10.00% return on the Notes. The 10.00% return corresponds to a compound annual return of 6.60% per annum.

Example 2 Calculation of the Payment at Maturity where the Percentage Change is positive (and the Payment at Maturity is subject to the Maximum Redemption Amount).

Percentage Change: 40.00%

Payment at Maturity: $1,000.00 + ($1,000.00 x 200.00% x 40.00%) = $1,000.00 + $800.00 = $1,800.00

however, the Maximum Redemption Amount is $1,210.00 and the Payment at Maturity would be $1,210.00.

On a $1,000.00 investment, a 40.00% Percentage Change results in a Payment at Maturity of $1,210.00 a 21.00% return on the Notes. The 21.00% return corresponds to a compound annual return of 13.64% per annum.

Example 3 Calculation of the Payment at Maturity where the Percentage Change is negative (but not by more than the Buffer Percentage).

Percentage Change: -8.00%

Payment at Maturity: $1,000.00 (at maturity, if the Percentage Change is negative BUT the decrease is not more than the Buffer Percentage, then the Payment at Maturity will equal the Principal Amount)

On a $1,000.00 investment, a -8.00% Percentage Change results in a Payment at Maturity of $1,000.00, a 0.00% return on the Notes. The 0.00% return corresponds to a compound annual return of 0.00% per annum.

Example 4 Calculation of the Payment at Maturity where the Percentage Change is negative (the decrease is more than the Buffer Percentage).

Percentage Change: -50.00%

Payment at Maturity: $1,000.00 + [$1,000.00 x 111.11% x (-50.00% + 10.00%)] = $1,000.00 $444.44 = $555.56

On a $1,000.00 investment, a -50.00% Percentage Change results in a Payment at Maturity of $555.56, a -44.44% return on the Notes. The -44.44% return corresponds to a compound annual return of -32.59% per annum.

Accordingly, if the Percentage Change is less than -10.00%, meaning the percentage decline from the Initial Level to the Final Level is greater than 10.00%, the Bank will pay you less than the full Principal Amount, resulting in a loss on your investment that is equal to the Buffer Rate multiplied by the negative Percentage Change in excess of the Buffer Percentage. You may lose up to 100% of your principal.

Any payment on the Notes, including any repayment of principal, is subject to the creditworthiness of the Bank. If the Bank were to default on its payment obligations, you may not receive any amounts owed to you under the Notes and you could lose your entire investment.

The following graph represents hypothetical returns only and is not indicative of actual results. The graph demonstrates the hypothetical return on the Notes at maturity for the set of Percentage Changes of the Reference Asset from -100.00% to 100.00% using the same assumptions as set forth above. Your investment may result in a complete loss of your principal at maturity.

ADDITIONAL RISKS

An investment in the Notes involves significant risks. In addition to the following risks included in this pricing supplement, we urge you to read Additional Risk Factors Specific to the Notes beginning on page PS-5 of the accompanying product prospectus supplement and Risk Factors beginning on page S-2 of the accompanying prospectus supplement.

In particular, you should read the following risk factors (only headings included) in the Additional Risk Factors Specific to the Notes General Risks Relating to the Notes and Risks Relating to the Applicable Reference Asset sections of the accompanying product prospectus supplement: The Buffer Level and Barrier Level Provide Only Limited Principal Protection ; The Notes May Not Pay Interest and Your Return May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity ; Your Potential Payment at Maturity May Be Limited ; Owning the Notes Is Not the Same as Owning the Reference Asset or its Components or a Security Directly Linked to the Performance of the Reference Asset or its Components ; There May Not Be an Active Trading Market for the Notes Sales in the Secondary Market May Result in Significant Losses ; The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors ; Payments on the Notes Are Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes ; The Amount to Be Paid at Maturity Will Not Be Affected by All Developments Relating to the Reference Asset ; We Will Not Hold Any Asset Comprising the Reference Asset for Your Benefit ; You Must Rely on Your Own Evaluation of the Merits of an Investment Linked to the Reference Asset ; Changes that Affect an Index Included in the Reference Asset Will Affect the Market Value of the Notes and the Amount You Will Receive at Maturity ; Trading and Other Transactions by the Bank or its Affiliates in the Reference Asset or Its Components, Futures, Options, Exchange-Traded Funds or Other Derivative Products May Adversely Affect the Market Value of the Notes ; The Inclusion in the Purchase Price of the Notes of an Underwriting Commission and of Our Cost of Hedging Our Market Risk under the Notes is Likely to Adversely Affect the Market Value of the Notes ; We Have No Affiliation with Any Index Sponsor and Will Not Be Responsible for Any Actions Taken by an Index Sponsor ; The Business Activities of the Bank or its Affiliates May Create Conflicts of Interest ; The Calculation Agent Can Postpone the Determination of the Final Level if a Market Disruption Event Occurs ; There Are Potential Conflicts of Interest Between You and the Calculation Agent ; The Historical Performance of the Reference Asset or its Components Should Not Be Taken as an Indication of Their Future Performance ; U.S. Taxpayers Will be Required to Pay Taxes Each Year on Notes that Are Treated as Contingent Payment Debt Instruments and Notes that Are Issued with Original Issue Discount ; Non-U.S. Investors May Be Subject to Certain Additional Risks ; Employee Retirement Income Security Act and Considerations for Employee Benefit Plans ; You Will Not Have Any Shareholder Rights and Will Have No Right to Receive any Shares of the Reference Asset at Maturity ; An Investment in the Notes May Be Subject to Risks Associated with Non-U.S. Securities Markets ; The Return on the Notes Will Be Exposed to Fluctuations in Exchange Rates that Might Affect the Level of the Reference Asset and the Payment at Maturity and We Do Not Control Any Company Included in a Reference Asset and Are Not Responsible for Any Disclosure Made by Any Other Company.

You should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with your advisors, of the suitability of the Notes in light of your particular financial circumstances and the information set forth in this pricing supplement and the accompanying base prospectus, prospectus supplement and product prospectus supplement.

Assuming No Changes in Market Conditions or Any Other Relevant Factors, the Market Value of Your Notes on the Trade Date (As Determined by Reference to Pricing Models Used By Goldman, Sachs & Co.) Is, and the Price You Receive for Your Notes May Be, Significantly Less than the Original Issue Price

The price at which Goldman, Sachs & Co. (as Dealer of the Notes) would initially buy or sell Notes (if Goldman, Sachs & Co. makes a market, which it is under no obligation to do) and the value that Goldman, Sachs & Co. will initially use for account statements and otherwise will significantly exceed the value of your Notes derived from pricing models used by Goldman, Sachs & Co. The amount of the excess will decline on a straight line basis over the period from the date hereof through December 7, 2012. After December 7, 2012, the price at which Goldman, Sachs & Co. would buy or sell Notes (if Goldman, Sachs & Co. makes a market) will reflect the value determined by reference to the pricing models, plus the Dealer s customary bid and ask spread.

The value or quoted price of your Notes at any time will reflect many factors and cannot be predicted. If Goldman, Sachs & Co. makes a market in the Notes, the price quoted by Goldman, Sachs & Co. would reflect any changes in market conditions and other relevant factors, including deterioration in the Bank s creditworthiness or perceived creditworthiness whether measured by the Bank s credit ratings or other credit measures. These changes may adversely affect the market price of your Notes, including the price you may receive for your Notes in any market making transaction. To the extent that Goldman, Sachs & Co. makes a market in the Notes, it may receive income from the spreads between its bid and offer prices for the Notes, if any. The quoted price (and the value of your Notes that Goldman, Sachs & Co. will use for account statements or otherwise) could be higher or lower than the original issue price and may be higher or lower than the value of your Notes as determined by reference to pricing models used by Goldman, Sachs & Co.

If at any time a third party dealer quotes a price to purchase your Notes or otherwise values your Notes, that price may be significantly different (higher or lower) than any price quoted by Goldman, Sachs & Co. See The Price at Which the Notes may be Sold prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased .

Furthermore, if you sell your Notes, you will likely be charged a commission for secondary market transactions, or the price will likely reflect a dealer discount.

There is no assurance that Goldman, Sachs & Co. or any other party will be willing to purchase your Notes; and, in this regard, Goldman, Sachs & Co. is not obligated to make a market in the Notes. See The Notes Lack Liquidity .

The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price is Likely to Adversely Affect Secondary Market Prices

Assuming no change in market conditions or any other relevant factors, the price, if any, at which Scotia Capital (USA) Inc. or any other party is willing to purchase the Notes at any time in secondary market transactions will likely be significantly lower than the original issue price, since secondary market prices are likely to exclude underwriting commissions paid with respect to the Notes and the cost of hedging our obligations under the Notes that are included in the original issue price. The cost of hedging includes the projected profit that we and/or our subsidiaries may realize in consideration for assuming the risks inherent in managing the hedging transactions. These secondary market prices are also likely to be reduced by the costs of unwinding the related hedging transactions. In addition, any secondary market prices may differ from values determined by pricing models used by Scotia Capital (USA) Inc. as a result of dealer discounts, mark-ups or other transaction costs.

Risk of Loss at Maturity

Any payment on the Notes at maturity depends on the Percentage Change of the Reference Asset. The Bank will only repay you the full Principal Amount of your Notes if the Percentage Change is equal to or greater than -10.00%. If the Percentage Change is less than -10.00%, meaning the percentage decline from the Initial Level to the Final Level is greater than the 10.00% Buffer Percentage, you will lose a significant portion of your initial investment in an amount equal to the Buffer Rate multiplied by that negative Percentage Change in excess of the Buffer Percentage. ***Accordingly, you may lose your entire investment in the Notes if the percentage decline from the Initial Level to the Final Level is greater than 10.00%.***

The Downside Market Exposure to the Reference Asset is Buffered Only at Maturity

You should be willing to hold your Notes to maturity. If you are able to sell your Notes prior to maturity in the secondary market, you may have to sell them at a loss relative to your initial investment even if the level of the Reference Asset at such time is not below the Initial Level by a percentage greater than the Buffer Percentage.

Your Potential Payment at Maturity Is Limited by the Maximum Redemption Amount

The Payment at Maturity will not exceed the Maximum Redemption Amount. Therefore, if the appreciation of the Reference Asset exceeds the cap on appreciation in the Maximum Redemption Amount, the Notes will provide less opportunity to participate in the appreciation of the Reference Asset than an investment in a security linked to the Reference Asset providing full participation in the appreciation. Accordingly, the return on the Notes may be less than the return would be if you made an investment in a security directly linked to the positive performance of the Reference Asset.

The Notes Differ from Conventional Debt Instruments

The Notes are not conventional notes or debt instruments. The Notes do not provide you with interest payments prior to maturity as a conventional fixed-rate or floating-rate debt security with the same maturity would. The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of the Bank.

No Interest

The Notes do not bear interest and, accordingly, you will not receive any interest payments on the Notes.

Your Investment is Subject to the Credit Risk of The Bank of Nova Scotia

The Notes are senior unsecured debt obligations of the Bank, and are not, either directly or indirectly, an obligation of any third party. As further described in the accompanying prospectus, prospectus supplement and product prospectus supplement, the Notes will rank on par with all of the other unsecured and unsubordinated debt obligations of the Bank, except such obligations as may be preferred by operation of law. Any payment to be made on the Notes, including the Payment at Maturity, depends on the ability of the Bank to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of the Bank may affect the market value of the Notes and, in the event the Bank were to default on its obligations, you may not receive the amounts owed to you under the terms of the Notes. If you sell the Notes prior to maturity, you may receive substantially less than the Principal Amount of your Notes.

The Notes are Subject to Market Risk

The return on the Notes is directly linked to the performance of the Reference Asset and indirectly linked to the value of the Reference Asset constituent stocks, and the extent to which the Percentage Change is positive or negative. The levels of the Reference Asset can rise or fall sharply due to factors specific to the Reference Asset constituent stocks, as well as general market factors, such as general market volatility and levels, interest rates and economic and political conditions.

The Participation Rate Applies Only at Maturity

You should be willing to hold your Notes to maturity. If you are able to sell your Notes prior to maturity in the secondary market, the price you receive will likely not reflect the full economic value of the Participation Rate or the Notes themselves, and the return you realize may be less than the Percentage Change even if such return is positive. You may receive the full benefit of the Participation Rate only if you hold your Notes to maturity.

The Payment at Maturity Is Not Linked to the Level of the Reference Asset at Any Time Other Than the Valuation Date

The Payment at Maturity will be based on the Final Level (subject to adjustments as described). Therefore, for example, if the closing level of the Reference Asset declined substantially as of the Valuation Date compared to the Trade Date, the Payment at Maturity may be significantly less than it would otherwise have been had the Payment at Maturity been linked to the closing levels of the Reference Asset prior to the Valuation Date. Although the actual level of the Reference Asset at maturity or at other times during the term of the Notes may be higher than the Final Level, you will not benefit from the closing levels of the Reference Asset at any time other than the Valuation Date.

If the Levels of the Reference Asset or the Reference Asset Constituent Stocks Change, the Market Value of Your Notes May Not Change in the Same Manner

Your Notes may trade quite differently from the performance of the Reference Asset or the Reference Asset constituent stocks. Changes in the levels of the Reference Asset or the Reference Asset constituent stocks may not result in a comparable change in the market value of your Notes. We discuss some of the reasons for this disparity under The Price at Which the Notes may be Sold prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased below.

Holding the Notes is Not the Same as Holding the Reference Asset Constituent Stocks

Holding the Notes is not the same as holding the Reference Asset constituent stocks. As a holder of the Notes, you will not be entitled to the voting rights or rights to receive dividends or other distributions or other rights that holders of the Reference Asset constituent stocks would enjoy.

No Assurance that the Investment View Implicit in the Notes Will Be Successful

It is impossible to predict with certainty whether and the extent to which the level of the Reference Asset will rise or fall. There can be no assurance that the level of the Reference Asset will rise above the Initial Level or that the percentage decline from the Initial Level to the Final Level will not be greater than the Buffer Percentage. The Final Level may be influenced by complex and interrelated political, economic, financial and other factors that affect the Reference Asset constituent stocks. You should be willing to accept the risks of the price performance of equity securities in general and the Reference Asset constituent stocks in particular, and the risk of losing some or all of your initial investment.

Furthermore, we cannot give you any assurance that the future performance of the Reference Asset or the Reference Asset constituent stocks will result in your receiving an amount greater than or equal to the Principal Amount of your Notes. Certain periods of historical performance of the Reference Asset or the Reference Asset constituent stocks would have resulted in you receiving less than the Principal Amount of your Notes if you had owned notes with terms similar to these Notes in the past. See Information Regarding The Reference Asset in this pricing supplement for further information regarding the historical performance of the Reference Asset.

The Reference Asset Reflects Price Return Only and Not Total Return

The return on your Notes is based on the performance of the Reference Asset, which reflects the changes in the market prices of the Reference Asset constituent stocks. It is not, however, linked to a total return index or strategy, which, in addition to reflecting those price returns, would also reflect dividends paid on the Reference Asset constituent stocks. The return on your Notes will not include such a total return feature or dividend component.

Past Performance is Not Indicative of Future Performance

The actual performance of the Reference Asset over the life of the Notes, as well as the amount payable at maturity, may bear little relation to the historical performance of the Reference Asset or to the hypothetical return examples set forth elsewhere in this pricing supplement. We cannot predict the future performance of the Reference Asset.

We May Sell an Additional Aggregate Principal Amount of the Notes at a Different Issue Price

We may decide to sell an additional aggregate Principal Amount of the Notes subsequent to the date of this pricing supplement. The issue price of the Notes in the subsequent sale may differ substantially (higher or lower) from the original issue price you paid as provided on the cover of this pricing supplement.

Changes Affecting the Reference Asset Could Have an Adverse Effect on the Value of the Notes

The policies of MSCI Inc., the sponsor of the Reference Asset (the Sponsor or MSCI), concerning additions, deletions and substitutions of the Reference Asset constituent stocks and the manner in which the Sponsor takes account of certain changes affecting those Reference Asset constituent stocks may adversely affect the level of the Reference Asset. The policies of the Sponsor with respect to the calculation of the Reference Asset could also adversely affect the level of the Reference Asset. The Sponsor may discontinue or suspend calculation or dissemination of the Reference Asset. Any such actions could have a material adverse effect on the value of the Notes.

The Bank Cannot Control Actions by the Sponsor and the Sponsor Has No Obligation to Consider Your Interests

The Bank and its affiliates are not affiliated with the Sponsor and have no ability to control or predict its actions, including any errors in or discontinuation of public disclosure regarding methods or policies relating to the calculation of the Reference Asset. The Sponsor is not involved in the Notes offering in any way and has no obligation to consider your interest as an owner of the Notes in taking any actions that might negatively affect the market value of your Notes.

The Notes are Subject to Currency Exchange Rate Risk

The MSCI EAFE Index invests in securities that are traded and quoted in foreign currencies on non-U.S. markets. The prices of the constituent country indices are converted into U.S. dollars for purposes of calculating the value of the MSCI EAFE Index. As a result, holders of the Notes will be exposed to currency exchange rate risk with respect to each of the currencies represented in the index. The values of the currencies of the countries in which the MSCI EAFE Index may invest may be subject to a high degree of fluctuation due to changes in interest rates, the effects of monetary policies issued by the United States, foreign governments, central banks or supranational entities, the imposition of currency controls or other national or global political or economic developments. An investor s net exposure will depend on the extent to which the relevant non-U.S. currencies strengthen or weaken against the U.S. dollar and the relative weight of each non-U.S. security in the portfolio of the MSCI EAFE Index. If, taking into account such weighting, the U.S. dollar strengthens against the relevant non-U.S. currencies, the value of securities in which the MSCI EAFE Index invests will be adversely affected and the value of the Notes may decrease.

The Notes are Subject to Non-U.S. Securities Market Risk

The Reference Asset constituent stocks that comprise the MSCI EAFE Index are issued by non-U.S. companies in non-U.S. securities markets. An investment in securities linked directly or indirectly to the value of securities issued by non-U.S. companies involves particular risks. Generally, non-U.S. securities markets may be more volatile than U.S. securities markets, and market developments may affect non-U.S. markets differently from U.S. securities markets. Direct or indirect government intervention to stabilize these non-U.S. markets, as well as cross shareholdings in non-U.S. companies, may affect trading prices and volumes in those markets. There is generally less publicly available information about non-U.S. companies than about those U.S. companies that are subject to the reporting requirements of the SEC, and non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. Securities prices in non-U.S. countries are subject to political, economic, financial and social factors that may be unique to the particular country. These factors, which could negatively affect the non-U.S. securities markets, include the possibility of recent or future changes in the non-U.S. government s economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other non-U.S. laws or restrictions applicable to non-U.S. companies or investments in non-U.S. equity securities. Moreover, certain aspects of a particular non-U.S. economy may differ favorably or unfavorably from the U.S. economy in important respects, such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency. Finally, it will likely be more costly and difficult to enforce the laws or regulations of a non-U.S. country or exchange. All of these factors could have a material adverse effect on the value of the Notes.

In addition, some of the Reference Asset constituent stocks are companies located within the Eurozone. The Eurozone is and has been undergoing severe financial stress, and the political, legal and regulatory ramifications are impossible to predict. Changes within the Eurozone could have a material adverse effect on the performance of the Reference Asset and, consequently, on the value of the Notes.

The Price at Which the Notes May Be Sold Prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased

The price at which the Notes may be sold prior to maturity will depend on a number of factors. Some of these factors include, but are not limited to: (i) actual or anticipated changes in the level of the Reference Asset over the full term of the Note, (ii) volatility of the level of the Reference Asset and the market s perception of future volatility of the level of the Reference Asset, (iii) changes in interest rates generally, (iv) any actual or anticipated changes in our credit ratings or credit spreads, and (v) time remaining to maturity. In particular, because the provisions of the Note relating to the Payment at Maturity and the Maximum Redemption Amount behave like options, the value of the Note will vary in ways which are non-linear and may not be intuitive.

Depending on the actual or anticipated level of the Reference Asset and other relevant factors, the market value of the Notes may decrease and you may receive substantially less than 100% of the issue price if you sell your Notes prior to maturity.

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The Notes Lack Liquidity

The Notes will not be listed on any securities exchange or automated quotation system. Therefore, there may be little or no secondary market for the Notes. Scotia Capital (USA) Inc. and the Dealer may, but are not obligated to, make a market in the Notes. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Notes easily. Because we do not expect that other broker-dealers will participate significantly in the secondary market for the Notes, the price at which you may be able to trade your Notes is likely to depend on the price, if any, at which Scotia Capital (USA) Inc. and the Dealer are willing to purchase the Notes from you. If at any time Scotia Capital (USA) Inc. and the Dealer were not to make a market in the Notes, it is likely that there would be no secondary market for the Notes. Accordingly, you should be willing to hold your Notes to maturity.

Hedging Activities by the Bank and the Dealer May Negatively Impact Investors in the Notes and Cause Our Respective Interests and Those of Our Clients and Counterparties to Be Contrary to Those of Investors in the Notes

The Bank or one or more of our respective affiliates and the Dealer or one or more of its affiliates has hedged or expects to hedge the obligations under the Notes by purchasing futures and/or other instruments linked to the Reference Asset. The Bank, the Dealer or one or more of our respective affiliates also expects to adjust the hedge by, among other things, purchasing or selling any of the foregoing, and perhaps other instruments linked to the Reference Asset or one or more of the Reference Asset constituent stocks, at any time and from time to time, and to unwind the hedge by selling any of the foregoing on or before the Valuation Date.

The Bank or one or more of our respective affiliates and the Dealer or one or more of its affiliates may also enter into, adjust and unwind hedging transactions relating to other basket- or index-linked Notes whose returns are linked to changes in the level or price of the Reference Asset or the Reference Asset constituent stocks. Any of these hedging activities may adversely affect the level of the Reference Asset directly or indirectly by affecting the price of the Reference Asset constituent stocks and therefore the market value of the Notes and the amount you will receive, if any, on the Notes. In addition, you should expect that these transactions will cause the Bank, or our respective affiliates, or the Dealer, or its affiliates, or our respective clients or counterparties, to have economic interests and incentivest solid #000000 ;border-left:1pt none #D9D9D9 ;border-bottom:1pt none #D9D9D9 ;border-right:1pt none #D9D9D9 ;background-color: #auto;height:12.75pt;padding:0pt;">

Income (loss) before income taxes

20

(672)

Benefit for income taxes (Note 5)

66

304

Net income (loss) attributable to Corning Incorporated

$

86

$

(368)

Earnings (loss) per common share attributable to
Corning Incorporated:

Basic (Note 6)

$

0.07

$

(0.36)

Diluted (Note 6)

$

0.07

$

(0.36)

Dividends declared per common share

$

0.155

$

0.135

The accompanying notes are an integral part of these consolidated financial statements.

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CORNING INCORPORATED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited; in millions)

	Three Months Ended March 31,	
	2017	2016
Net income (loss) attributable to Corning Incorporated	$ 86	$ (368)
Foreign currency translation adjustments and other	450	428
Net unrealized gains (losses) on investments	3	(2)
Unamortized gains and prior service credits for postretirement benefit plans	1	
Net unrealized gains (losses) on designated hedges	26	(19)
Other comprehensive income, net of tax (Note 15)	480	407
Comprehensive income attributable to Corning Incorporated	$ 566	$ 39

The accompanying notes are an integral part of these consolidated financial statements.

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CORNING INCORPORATED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

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

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 4,844	$ 5,291
Short-term investments, at fair value	28	
Trade accounts receivable, net of doubtful accounts and allowances - $56 and $59	1,583	1,481
Inventories, net of inventory reserves - $148 and $151 (Note 8)	1,544	1,471
Other current assets	719	805
Total current assets	8,718	9,048
Investments (Note 9)	337	336
Property, plant and equipment, net of accumulated depreciation - $10,304 and $9,884	12,969	12,546
Goodwill, net (Note 10)	1,619	1,577
Other intangible assets, net (Note 10)	825	796
Deferred income taxes (Note 5)	2,705	2,325
Other assets	1,132	1,271
Total Assets	$ 28,305	$ 27,899
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings (Note 4)	$ 257	$ 256
Accounts payable	1,015	1,079
Other accrued liabilities (Note 3 and Note 12)	1,149	1,416
Total current liabilities	2,421	2,751
Long-term debt	3,669	3,646
Postretirement benefits other than pensions (Note 11)	735	737
Other liabilities (Note 3 and Note 12)	3,101	2,805
Total liabilities	9,926	9,939
Commitments, contingencies and guarantees (Note 3)		
Shareholders’ equity (Note 15):		

Convertible preferred stock, Series A – Par value $100 per share;		
Shares authorized 3,100; Shares issued: 2,300	2,300	2,300
Common stock – Par value $0.50 per share; Shares authorized 3.8 billion;		
Shares issued: 1,700 million and 1,691 million	850	846
Additional paid-in capital – common stock	13,888	13,695
Retained earnings	17,030	16,880
Treasury stock, at cost; Shares held: 780 million and 765 million	(14,564)	(14,152)
Accumulated other comprehensive loss	(1,196)	(1,676)
Total Corning Incorporated shareholders' equity	18,308	17,893
Noncontrolling interests	71	67
Total equity	18,379	17,960
Total Liabilities and Equity	$ 28,305	$ 27,899

The accompanying notes are an integral part of these consolidated financial statements.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three Months Ended March 31, 2017	2016
Cash Flows from Operating Activities:		
Net income (loss)	$ 86	$ (368)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	260	281
Amortization of purchased intangibles	17	14
Restructuring, impairment and other charges		80
Stock compensation charges	14	9
Equity in earnings of affiliated companies	(80)	(59)
Dividends received from affiliated companies	34	
Deferred tax benefit	(121)	(345)
Employee benefit payments less than expense	9	7
Translated earnings contract loss	438	857
Unrealized translation gains on transactions	(67)	(123)
Changes in certain working capital items:		
Trade accounts receivable	(54)	21
Inventories	(49)	(42)
Other current assets	(60)	(76)
Accounts payable and other current liabilities	(230)	(293)
Other, net	(6)	(43)
Net cash provided by (used in) operating activities	191	(80)
Cash Flows from Investing Activities:		
Capital expenditures	(364)	(270)
Acquisition of business, net of cash received	(35)	
Investment in unconsolidated entities	(4)	
Payments of loans to unconsolidated entities	(5)	
Short-term investments – acquisitions		(20)
Short-term investments – liquidations		121
Realized gains on translated earnings contracts	80	93
Other, net	2	
Net cash used in investing activities	(326)	(76)

Cash Flows from Financing Activities:		
Net repayments of short-term borrowings and current portion of long-term debt		(64)
Principal payments under capital lease obligations		(1)
Payments of employee withholding tax on stock awards	(2)	(3)
Proceeds from issuance of commercial paper		19
Proceeds from the exercise of stock options	182	9
Repurchases of common stock for treasury	(400)	(703)
Dividends paid	(168)	(173)
Net cash used in financing activities	(388)	(916)
Effect of exchange rates on cash	76	112
Net decrease in cash and cash equivalents	(447)	(960)
Cash and cash equivalents at beginning of period	5,291	4,500
Cash and cash equivalents at end of period	$ 4,844	$ 3,540

The accompanying notes are an integral part of these consolidated financial statements.

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CORNING INCORPORATED AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Significant Accounting Policies

Basis of Presentation

In these notes, the terms “Corning,” “Company,” “we,” “us,” or “our” mean Corning Incorporated and its subsidiary companies

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) for interim financial information. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with Corning’s consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2016 (“2016 Form 10-K”).

The unaudited consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of operations, financial position and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the full year.

On January 1, 2017, Corning adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, the impacts of which include the recording of cumulative tax benefits of $233 million in beginning retained earnings and cash flow reclassifications that were not significant.

Certain prior year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no impact on our results of operations, financial position, or changes in shareholders’ equity.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, as a new Topic, Accounting Standards Codification ("ASC") Topic 606. The new revenue recognition standard relates to revenue from contracts with customers, which, along with amendments issued in 2015 and 2016, will supersede nearly all current U.S. GAAP guidance on this topic and eliminate industry-specific guidance. The underlying principle is to use a five-step analysis of transactions to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Corning has evaluated its material contracts, and has concluded that the impact of adopting the standard on its financial statements and related disclosure will not be material. The standard, as amended, will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. We expect to adopt the standard on a modified retrospective basis in 2018.

Corning's equity affiliates are currently evaluating their material contracts, and have not concluded on the potential impact of adopting ASU 2014-09 on their financial statements and related disclosure.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes all existing guidance on accounting for leases in ASC Topic 840. ASU 2016-02 is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. ASU 2016-02 will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. ASU 2016-02 is required to be applied with a modified retrospective approach to each prior reporting period presented with various optional practical expedients. We are currently assessing the potential impact of adopting ASU 2016-02 on our financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 refines how companies classify certain aspects of the cash flow statement in regards to debt prepayment, settlement of debt instruments, contingent consideration payments, proceeds from insurance claims and life insurance policies, distribution from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017, and for interim periods within those fiscal years. We are currently assessing the potential impact of adopting ASU 2016-15 on our financial statements and related disclosures, but the effect is not expected to be material.

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In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which reduces the complexity in the accounting standards by allowing the recognition of current and deferred income taxes for an intra-entity asset transfer, other than inventory, when the transfer occurs. Historically, recognition of the income tax consequence was not recognized until the asset was sold to an outside party. This amendment should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 is effective for annual periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. That is, earlier adoption should be in the first interim period if an entity issues interim financial statements. We are currently evaluating the impact of ASU 2016-16 on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350). ASU 2017-04 simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendment should be applied on a prospective basis. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has decided to early adopt the ASU on January 1, 2017.

In March 2017, the FASB issued ASU No. 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. ASU 2017-07 requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, the ASU requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. The amendment should be applied retrospectively for the presentation of the service cost component and prospectively for the capitalization of the service cost component. ASU 2017-07 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted at the beginning of any annual period for which an entity's financial statements have not been issued or made available for issuance. We are currently evaluating the impact of ASU 2017-07 on our consolidated financial statements and related disclosures.

2. Restructuring, Impairment and Other Charges

2016 Activity

For the three months ended March 31, 2016, we recorded charges of $80 million, pre-tax, for employee related costs, asset disposals, and exit costs associated with some minor restructuring activities in all of the segments. Cash payments for employee-related and exit activity related to the 2016 restructuring activities were substantially completed in 2016.

3. Commitments, Contingencies and Guarantees

Asbestos Claims

Corning and PPG Industries, Inc. each owned 50% of the capital stock of Pittsburgh Corning Corporation ("PCC"). PCC filed for Chapter 11 reorganization in 2000 and the Modified Third Amended Plan of Reorganization for PCC (the "Plan") became effective in April 2016. At December 31, 2015, the Company's liability under the Plan was estimated to be $528 million. At December 31, 2016, this estimated liability was $290 million, due to the Company's contribution, in the second quarter of 2016, of its equity interests in PCC and Pittsburgh Corning Europe N.V. in the total amount of $238 million, as required by the Plan. The remaining $290 million liability is for the series of fixed payments required by the Plan. At December 31, 2016 and March 31, 2017, the total amount of the payments due in years 2018 through 2022 is $220 million and is classified as a non-current liability. The remaining $70 million payment is due in the second quarter of 2017 and is classified as a current liability.

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Non-PCC Asbestos Claims Insurance Litigation

Corning is a defendant in certain cases alleging injuries from asbestos unrelated to PCC (the “non-PCC asbestos claims”) which had been stayed pending the confirmation of the Plan. The stay was lifted on August 25, 2016. Corning previously established a $150 million reserve for these non-PCC asbestos claims. The estimated reserve represents the undiscounted projection of claims and related legal fees over the next 20 years. The amount may need to be adjusted in future periods as more data becomes available; however, we cannot estimate any lesser or greater liabilities at this time. At December 31, 2016 and March 31, 2017, the amount of the reserve for these non-PCC asbestos claims was $149 million.

Several of Corning’s insurers have commenced litigation in state courts for a declaration of the rights and obligations of the parties under insurance policies related to Corning’s asbestos claims. Corning has resolved these issues with a majority of its relevant insurers, and is vigorously contesting these cases with the remaining relevant insurers. Management is unable to predict the outcome of the litigation with these remaining insurers.

Other Commitments and Contingencies

We are required, at the time a guarantee is issued, to recognize a liability for the fair value or market value of the obligation it assumes. In the normal course of our business, we do not routinely provide significant third-party guarantees. Generally, any third party guarantees provided by Corning are limited to certain financial guarantees including stand-by letters of credit and performance bonds, and the incurrence of contingent liabilities in the form of purchase price adjustments related to attainment of milestones. When provided, these guarantees have various terms, and none of these guarantees are individually significant.

As of March 31, 2017 and December 31, 2016, contingent guarantees totaled a notional value of $283 million and $267 million, respectively. We believe a significant majority of these contingent guarantees will expire without being funded. We also were contingently liable for purchase obligations of $243 million and $231 million, at March 31, 2017 and December 31, 2016, respectively.

Product warranty liability accruals were considered insignificant at March 31, 2017 and December 31, 2016.

Corning is a defendant in various lawsuits, including environmental and product-related suits, and is subject to various claims that arise in the normal course of business. In the opinion of management, the likelihood that the ultimate disposition of these matters will have a material adverse effect on Corning's consolidated financial position, liquidity, or results of operations, is remote. Other than certain asbestos related claims, there are no other material loss contingencies related to litigation.

Corning has been named by the Environmental Protection Agency ("the Agency") under the Superfund Act, or by state governments under similar state laws, as a potentially responsible party for 17 active hazardous waste sites. Under the Superfund Act, all parties who may have contributed any waste to a hazardous waste site, identified by the Agency, are jointly and severally liable for the cost of cleanup unless the Agency agrees otherwise. It is Corning's policy to accrue for its estimated liability related to Superfund sites and other environmental liabilities related to property owned by Corning based on expert analysis and continual monitoring by both internal and external consultants. At March 31, 2017 and December 31, 2016, Corning had accrued approximately $42 million (undiscounted) and $43 million (undiscounted), respectively, for the estimated liability for environmental cleanup and related litigation. Based upon the information developed to date, management believes that the accrued reserve is a reasonable estimate of the Company's liability and that the risk of an additional loss in an amount materially higher than that accrued is remote.

The ability of certain subsidiaries and affiliated companies to transfer funds is limited by provisions of foreign government regulations, affiliate agreements and certain loan agreements. At March 31, 2017, the amount of equity subject to such restrictions for consolidated subsidiaries and affiliated companies was not significant. While this amount is legally restricted, it does not result in operational difficulties since we have generally permitted subsidiaries to retain a majority of equity to support their growth programs.

4. Debt

Based on borrowing rates currently available to us for loans with similar terms and maturities, the fair value of long-term debt was $3.9 billion at March 31, 2017 and December 31, 2016, compared to recorded book values of $3.7 billion at March 31, 2017 and $3.6 billion at December 31, 2016. The Company measures the fair value of its long-term debt using Level 2 inputs based primarily on current market yields for its existing debt traded in the secondary market.

Corning did not have outstanding commercial paper at March 31, 2017 and December 31, 2016.

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5. Income Taxes

Our benefit for income taxes and the related effective income tax benefit were as follows (in millions):

	Three Months Ended March 31,	
	2017	2016
Benefit for income taxes	$ 66	$ 304
Effective tax benefit	330.0%	(45.2%)

For the three months ended March 31, 2017, the effective income tax benefit differed from the U.S. statutory rate of 35% primarily due to the following benefits:

- Rate differences on income (loss) of consolidated foreign companies, including the benefit of excess foreign tax credits resulting from the inclusion of foreign earnings in U.S. income; and
- The impact from domestic losses attributable to foreign exchange and losses on translated earnings contracts.

For the three months ended March 31, 2016, the effective income tax benefit differed from the U.S. statutory rate of 35% primarily due to the following benefits:

- Rate differences on income (loss) of consolidated foreign companies, including the benefit of excess foreign tax credits resulting from the inclusion of foreign earnings in U.S. income;
- The impact of equity in earnings of nonconsolidated affiliates reported in the financial statements, net of tax; and
- The impact from domestic losses attributable to foreign exchange and losses on translated earnings contracts.

Corning continues to indefinitely reinvest substantially all of its foreign earnings, with the exception of an immaterial amount of current earnings that have very low or no tax cost associated with their repatriation. Our current analysis indicates that we have sufficient U.S. liquidity, including borrowing capacity, to fund foreseeable U.S. cash needs without requiring the repatriation of foreign cash. One time or unusual items may impact our ability or intent to keep our foreign earnings and cash indefinitely reinvested. While it remains impracticable to calculate the tax cost of repatriating our total unremitted foreign earnings, such cost could be material to the results of operations of Corning in a particular period.

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6. Earnings (Loss) per Common Share

The following table sets forth the computation of basic and diluted earnings (loss) per common share (in millions, except per share amounts):

	Three Months Ended March 31,	
	2017	2016
Net income (loss) attributable to Corning Incorporated	$ 86	$ (368)
Less: Series A convertible preferred stock dividend	24	24
Net income (loss) available to common stockholders – basic	62	(392)
Net income (loss) available to common stockholders – diluted	$ 62	$ (392)
Weighted-average common shares outstanding – basic	925	1,103
Effect of dilutive securities:		
Stock options and other dilutive securities	11	
Weighted-average common shares outstanding – diluted	936	1,103
Basic earnings (loss) per common share	$ 0.07	$ (0.36)
Diluted earnings (loss) per common share	$ 0.07	$ (0.36)
Antidilutive potential shares excluded from diluted earnings per common share:		
Series A convertible preferred stock (1)	115	115
Employee stock options and awards	2	47
Total	117	162

(1) In the three months ended March 31, 2017 and 2016, the Series A convertible preferred stock was anti-dilutive and therefore excluded from the calculation of diluted earnings per share.

7. Available-for-Sale Investments

At March 31, 2017, the company held $28 million in asset-backed securities which are classified as short-term investment because we expect to sell them within the next twelve months. At December 31, 2016 the asset-backed securities were classified as long-term investments with a fair value of $29 million. The Company's investments in available-for-sale securities are held at fair value with amortized cost of $31 million and $32 million at March 31, 2017 and December 31, 2016, respectively.

For the three months ended March 31, 2017 and 2016, proceeds from sales and maturities of short-term investments totaled approximately $0 million and $121 million, respectively.

8. Inventories, Net of Inventory Reserves

Inventories, net of inventory reserves comprise the following (in millions):

	March 31, 2017	December 31, 2016
Finished goods	$ 668	$ 606
Work in process	312	303
Raw materials and accessories	256	270
Supplies and packing materials	308	292
Total inventories, net of inventory reserves	$ 1,544	$ 1,471

9. Investments

On May 31, 2016, Corning completed the strategic realignment of its equity investment in Dow Corning Corporation ("Dow Corning") pursuant to the Transaction Agreement announced in December 2015. Under the terms of the Transaction Agreement, Corning exchanged with Dow Corning its 50% stock interest in Dow Corning for 100% of the stock of a newly formed entity, which holds an equity interest in Hemlock Semiconductor Group ("HSG") and approximately $4.8 billion in cash.

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Prior to realignment, HSG, a wholly-owned and consolidated subsidiary of Dow Corning, was an indirect equity investment of Corning. Upon completion of the exchange, Corning now has a direct equity investment in HSG. Because our ownership percentage in HSG did not change as a result of the realignment, the investment in HSG is recorded at its carrying value, which had a negative carrying value of $383 million at the transaction date. The negative carrying value resulted from a one-time charge to this entity in 2014 for the permanent abandonment of certain assets. Excluding this charge, the entity is profitable and is expected to recover its equity in the near term.

Investments comprise the following (in millions):

	Ownership interest	March 31, 2017	December 31, 2016
Affiliated companies accounted for by the equity method (1)	20% to 50%	$ 269	$ 269
Other investments		68	67
Subtotal Investment Assets		$ 337	$ 336
Affiliated companies accounted for by the equity method			
HSG (1)(2)	50%	$ 195	$ 241
Subtotal Investment Liabilities		$ 195	$ 241

(1) Amounts reflect Corning's direct ownership interests in the respective affiliated companies at March 31, 2017 and December 31, 2016. Corning does not control any of such entities.
(2) HSG indirectly holds an 80.5% interest in a HSG operating partnership. The negative carrying value of the investment in HSG is recorded in Other Liabilities.

Hemlock Semiconductor Group

Summarized income statement information for HSG is as follows for the three months ended March 31, 2017: net sales $280 million, gross profit $28 million and net income attributable to HSG $159 million. HSG's net income in the first quarter of 2017 includes pre-tax gains on settlements of long-term sales agreements in the amount of $144 million (after tax and non-controlling interests, Corning's share was approximately $72 million).

10. Goodwill and Other Intangible Assets

The carrying amount of goodwill by segment for the periods ended March 31, 2017 and December 31, 2016 is as follows (in millions):

	Display Technologies	Optical Communications	Specialty Materials	Life Sciences	All Other	Total
Balance at December 31, 2016	$ 126	$ 645	$ 150	$ 558	$ 98	$ 1,577
Acquired goodwill (1)					34	34
Foreign currency translation adjustment	5	(1)		2	2	8
Balance at March 31, 2017	$ 131	$ 644	$ 150	$ 560	$ 134	$ 1,619

(1) The Company completed an acquisition during the first quarter of 2017 with a purchase price of $81 million which is reported in All Other.

Corning's gross goodwill balances for the periods ended March 31, 2017 and December 31, 2016 each were $8.1 billion. Accumulated impairment losses were $6.5 billion for the periods ended March 31, 2017 and December 31, 2016, and were generated primarily through goodwill impairments related to the Optical Communications segment.

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Other intangible assets are as follows (in millions):

	March 31, 2017			December 31, 2016		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Amortized intangible assets:						
Patents, trademarks, and trade names	$ 363	$ 180	$ 183	$ 360	$ 176	$ 184
Customer lists and other	805	163	642	761	149	612
Total	$ 1,168	$ 343	$ 825	$ 1,121	$ 325	$ 796

Corning's amortized intangible assets are primarily related to the Optical Communications and Life Sciences segments. The net carrying amount of intangible assets increased during the first quarter of 2017, primarily due to acquisitions of $42 million of other intangible assets and foreign currency translation adjustments of $3 million, offset by amortization of $17 million.

Amortization expense related to these intangible assets is estimated to be $72 million for 2017, $73 million for 2018, $72 million for 2019 and $69 million annually from 2020 to 2022.

11. Employee Retirement Plans

The following table summarizes the components of net periodic benefit cost for Corning's defined benefit pension and postretirement health care and life insurance plans (in millions):

	Pension Benefits Three months ended March 31,		Postretirement benefits Three months ended March 31,	
	2017	2016	2017	2016
Service cost	$ 24	$ 22	$ 3	$ 2
Interest cost	31	31	7	7
Expected return on plan assets	(43)	(42)		
Amortization of prior service cost (credit)	1	1	(1)	(1)

Recognition of actuarial loss		7		
Total pension and postretirement benefit expense	$ 13	$ 19	$ 9	$ 8

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12. Other Liabilities

Other liabilities follow (in millions):

	March 31, 2017	December 31, 2016
Current liabilities:		
Wages and employee benefits	$ 350	$ 487
Income taxes	210	150
Asbestos and other litigation	83	70
Derivative instruments	56	88
Other current liabilities	450	621
Other accrued liabilities	$ 1,149	$ 1,416
Non-current liabilities:		
Asbestos and other litigation	$ 380	$ 369
Derivative instruments	546	282
Investment in Hemlock Semiconductor Group (1)	195	241
Defined benefit pension plan liabilities	705	692
Other non-current liabilities	1,275	1,221
Other liabilities	$ 3,101	$ 2,805

(1) The negative carrying value resulted from a one-time charge to this entity in 2014 for the permanent abandonment of certain assets.

Asbestos Claims

Corning and PPG each owned 50% of the capital stock of PCC. Over a period of more than two decades, PCC and several other defendants were named in numerous lawsuits involving claims alleging personal injury from exposure to asbestos. Refer to Note 3 (Commitments, Contingencies and Guarantees) to the consolidated financial statements for additional information on the asbestos claims.

13. Hedging Activities

Undesignated Hedges

The table below includes a total gross notional value for translated earnings contracts of $15.4 billion and $16.7 billion at March 31, 2017 and December 31, 2016, respectively. The translated earnings contracts include average rate forwards of $13.9 billion and $14.7 billion and zero-cost collars of $1.6 billion and $2.0 billion at March 31, 2017 and December 31, 2016, respectively. The majority of the average rate forward contracts hedge a significant portion of the Company's exposure to the Japanese yen for 2017-2022 with gross notional values of $12.8 billion and $13.6 billion at March 31, 2017 and December 31, 2016, respectively. The average rate forward contracts also partially hedge the impacts of the South Korean won, New Taiwan dollar, Chinese yuan, Euro and British pound translation on the Company's projected net income. With respect to the zero-cost collars, the gross notional amount includes the value of both the put and call options. However, due to the nature of the zero-cost collars, either the put or the call option can be exercised at maturity. The total net notional value of the zero-cost collars was $0.8 billion and $1.0 billion at March 31, 2017 and December 31, 2016, respectively.

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The following tables summarize the notional amounts and respective fair values of Corning's derivative financial instruments on a gross basis for March 31, 2017 and December 31, 2016 (in millions):

	Gross notional amount		Asset derivatives			Liability derivatives		
			Balance sheet location	Fair value		Balance sheet location	Fair value	
	Mar. 31, 2017	Dec. 31, 2016		Mar. 31, 2017	Dec. 31, 2016		Mar. 31, 2017	Dec. 31, 2016
Derivatives designated as hedging instruments								
Foreign exchange contracts (1)	$ 588	$ 458	Other current assets	$ 5	$ 1	Other accrued liabilities	$ (13)	$ (29)
			Other assets	8		Other liabilities		
Interest rate contracts	550	550	Other assets			Other liabilities	(6)	(5)
Derivatives not designated as hedging instruments								
Foreign exchange contracts, other	717	890	Other current assets	8	11	Other accrued liabilities	(6)	(7)
Translated earnings contracts	15,430	16,711	Other current assets	275	423	Other accrued liabilities	(37)	(52)
			Other assets	23	146	Other liabilities	(539)	(277)
Total derivatives	$ 17,285	$ 18,609		$ 319	$ 581		$ (601)	$ (370)

(1) Cash flow hedges with a typical duration of 24 months or less.

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The following table summarizes the effect of derivative financial instruments on Corning's consolidated financial statements for the three months ended March 31, 2017 and 2016 (in millions):

	Effect of derivative instruments on the consolidated financial statements for the three months ended March 31,				
Derivatives in hedging relationships	Gain/(loss) recognized in other comprehensive income (OCI) 2017	2016	Location of gain/(loss) reclassified from accumulated OCI into income (effective)	Gain/(loss) reclassified from accumulated OCI into income (effective) (1) 2017	2016
Interest rate hedges			Sales		$ 1
			Cost of sales	$ (6)	(5)
Foreign exchange contracts	$ 23	$ (29)			
Total cash flow hedges	$ 23	$ (29)		$ (6)	$ (4)

(1) The amount of hedge ineffectiveness at March 31, 2017 and 2016 was insignificant.

The following table summarizes the effect on the consolidated financial statements relating to Corning's derivative financial instruments (in millions):

Undesignated derivatives	Location of gain/(loss) recognized in income	Gain (loss) recognized in income Three months ended March 31, 2017	2016
Foreign exchange contracts – balance sheet and loans	Other expense, net	$ 2	$ (37)
Foreign currency hedges related to translated earnings	Translated earnings contract loss, net	(438)	(857)
Total undesignated		$ (436)	$ (894)

14. Fair Value Measurements

Fair value standards under U.S. GAAP define fair value, establish a framework for measuring fair value in applying generally accepted accounting principles, and require disclosures about fair value measurements. The standards also identify two kinds of inputs that are used to determine the fair value of assets and liabilities: observable and unobservable. Observable inputs are based on market data or independent sources while unobservable inputs are based on the Company's own market assumptions. Once inputs have been characterized, the inputs are prioritized into one of three broad levels (provided in the table below) used to measure fair value. Fair value standards apply whenever an entity is measuring fair value under other accounting pronouncements that require or permit fair value measurement and require the use of observable market data when available.

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The following tables provide fair value measurement information for the Company's major categories of financial assets and liabilities measured on a recurring basis (in millions):

	March 31, 2017	Fair value measurements at reporting date using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current assets:				
Short-term investments (1)	$ 28		$ 28	
Other current assets (2)	$ 288		$ 288	
Non-current assets:				
Other assets (2)(3)	$ 323		$ 31	$ 292
Current liabilities:				
Other accrued liabilities (2)(4)	$ 59		$ 56	$ 3
Non-current liabilities:				
Other liabilities (2)(4)	$ 565		$ 545	$ 20

(1) Short-term investments include asset-backed securities which are measured using observable quoted prices for similar assets.
(2) Derivative assets and liabilities include foreign exchange contracts which are measured using observable quoted prices for similar assets and liabilities.
(3) Other assets include a contingent consideration asset which was measured by applying an option pricing model using projected future Corning Precision Materials' revenues.
(4) Other accrued liabilities and other liabilities include contingent consideration that was measured using unobservable (Level 3) inputs. As of March 31, 2017 the fair value of the contingent consideration payables is $23 million.

	December 31, 2016	Fair value measurements at reporting date using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current assets:				

Other current assets (1)	$ 435	$ 435		
Non-current assets:				
Other assets (1)(2)	$ 464	$ 175	$ 289	
Current liabilities:				
Other accrued liabilities (1)	$ 88	$ 88		
Non-current liabilities:				
Other liabilities (1)	$ 282	$ 282		

(1) Derivative assets and liabilities include foreign exchange contracts which are measured using observable quoted prices for similar assets and liabilities.
(2) Other assets include asset-backed securities which are measured using observable quoted prices for similar assets and a contingent consideration asset which was measured by applying an option pricing model using projected future Corning Precision Materials' revenues.

As a result of the acquisition of Samsung Corning Precision Materials in January 2014, the Company has contingent consideration that was measured using unobservable (Level 3) inputs. Changes in the fair value of the contingent consideration in future periods are valued using an option pricing model and are recorded in Corning's results in the period of the change. As of March 31, 2017 and December 31, 2016, the fair value of the potential receipt of the contingent consideration in 2018 was $292 million and $289 million, respectively.

There were no significant financial assets and liabilities measured on a nonrecurring basis as of March 31, 2017 and December 31, 2016.

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15. Shareholders' Equity

Fixed Rate Cumulative Convertible Preferred Stock, Series A

On January 15, 2014, Corning designated a new series of its preferred stock as Fixed Rate Cumulative Convertible Preferred Stock, Series A, par value $100 per share, and issued 2,300 shares of Preferred Stock at an issue price of $1 million per share, for an aggregate issue price of $2.3 billion. The Preferred Stock is convertible at the option of the holder and the Company upon certain events, at a conversion rate of 50,000 shares of Corning's common stock per one share of Preferred Stock, subject to certain anti-dilution provisions. As of March 31, 2017, the Preferred Stock has not been converted, and none of the anti-dilution provisions have been triggered.

Share Repurchases

2016 Share Repurchases

In July 2016, Corning entered into an accelerated share repurchase agreement (the "2016 ASR agreement") under the 2015 Repurchase Program with Morgan Stanley to repurchase Corning's common stock. Under the 2016 ASR agreement, Corning paid $2.0 billion for a total of 86.7 million shares.

In addition to the 2016 ASR agreement, during the year ended December 31, 2016, the Company repurchased 110 million shares of common stock on the open market for approximately $2.2 billion as part of its 2015 Repurchase Programs, resulting in a total of 197.1 million shares repurchased for $4.2 billion during 2016.

2017 Share Repurchases

In December 2016, Corning's Board of Directors approved a $4 billion share repurchase program with no expiration (the "2016 Repurchase Program"). In the three months ended March 31, 2017, the Company repurchased 15.3 million shares of common stock on the open market for approximately $408.3 million as part of its 2015 and 2016 Repurchase Programs.

Accumulated Other Comprehensive Income

In the three months ended March 31, 2017 and 2016, the primary changes in accumulated other comprehensive income ("AOCI") were related to the foreign currency translation adjustment component.

A summary of changes in the foreign currency translation adjustment component of AOCI is as follows (in millions):

	Three months ended March 31,	
	2017	2016
Beginning balance	$ (1,275)	$ (1,171)
Other comprehensive income	434	385
Equity method affiliates	16	43
Net current-period other comprehensive income	450	428
Ending balance	$ (825)	$ (743)

Tax effects related to foreign currency translation gains and losses for the three months ended March 31, 2017 and 2016 were $57 million and $17 million, respectively.

16. Share-based Compensation

Stock Compensation Plans

The Company measures and recognizes compensation cost for all share-based payment awards made to employees and directors based on estimated fair values. Fair values for stock options were estimated using a multiple-point Black-Scholes valuation model. Share-based compensation cost was approximately $14 million and $9 million for the three months ended March 31, 2017 and 2016, respectively. Amounts for all periods presented included compensation expense for employee stock options and time-based restricted stock and restricted stock units.

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Stock Options

Corning's stock option plans provide non-qualified and incentive stock options to purchase authorized but unissued shares, or treasury shares, at the market price on the grant date and generally become exercisable three years from the grant date. The maximum term of non-qualified and incentive stock options is ten years from the grant date.

The following table summarizes information concerning stock options outstanding including the related transactions under the stock option plans for the three months ended March 31, 2017:

	Number of Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (in thousands)
Options Outstanding as of December 31, 2016	31,507	$ 19.40		
Granted	1,501	27.00		
Exercised	(8,429)	21.78		
Forfeited and Expired	(80)	21.40		
Options Outstanding as of March 31, 2017	24,499	19.04	4.64	$ 195,009
Options Expected to Vest as of March 31, 2017	24,949	19.07	4.68	197,946
Options Exercisable as of March 31, 2017	18,769	18.01	3.41	168,779

The aggregate intrinsic value (market value of stock less option exercise price) in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price on March 31, 2017, which would have been received by the option holders had all option holders exercised their "in-the-money" options as of that date.

As of March 31, 2017, there was approximately $18 million of unrecognized compensation cost related to stock options granted under the plans. The cost is expected to be recognized over a weighted-average period of 1.5 years. Compensation cost related to stock options was approximately $8 million and $3 million for the three months ended March 31, 2017 and 2016, respectively.

Proceeds received from the exercise of stock options were $182 million and $9 million for the three months ended March 31, 2017 and 2016, respectively. Proceeds received from the exercise of stock options were included in financing activities on the Company's Consolidated Statements of Cash Flows. The total intrinsic value of options exercised for the three months ended March 31, 2017 and 2016 was approximately $44 million and $6 million, respectively. The income tax (expense) benefit realized from share-based compensation was not significant for the three months ended March 31, 2017 and 2016, respectively. Refer to Note 5 (Income Taxes) to the Consolidated Financial Statements.

The following inputs were used for the valuation of option grants under our stock option plans:

	Three months ended March 31,	
	2017	2016
Expected volatility	36.1%	43.1%
Weighted-average volatility	36.1%	43.1%
Expected dividends	2.28%	2.94%
Risk-free rate	2.3%	1.5%
Average risk-free rate	2.3%	1.5%
Expected term (in years)	7.4	7.4
Pre-vesting departure rate	0.6%	0.6%

Expected volatility is based on a blended approach defined as the weighted average of the short-term implied volatility, the most recent volatility for the period equal to the expected term, and the most recent 15-year historical volatility. The expected term assumption is the period of time the options are expected to be outstanding, and is calculated using a combination of historical exercise experience adjusted to reflect the current vesting period of options being valued, and partial life cycles of outstanding options. The risk-free rate assumption is the implied rate for a zero-coupon U.S. Treasury bond with a term equal to the option's expected term.

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Incentive Stock Plans

Corning's incentive stock plan permits restricted stock and restricted stock unit grants, either determined by specific performance goals or issued directly, in most instances, subject to the possibility of forfeiture and without cash consideration. Restricted stock and restricted stock units under the incentive stock plan are granted at the closing market price on the grant date, contingently vest over a period of generally three years. The fair value of each restricted stock grant or restricted stock unit awarded under the Incentive Stock Plan is based on the grant date closing price of the Company's stock.

Time-Based Restricted Stock and Restricted Stock Units:

Time-based restricted stock and restricted stock units are issued by the Company on a discretionary basis, and are payable in shares of the Company's common stock upon vesting. The fair value is based on the closing market price of the Company's stock on the grant date. Compensation cost is recognized over the requisite vesting period and adjusted for actual forfeitures before vesting.

The following table represents a summary of the status of the Company's non-vested time-based restricted stock and restricted stock units as of December 31, 2016, and changes which occurred during the three months ended March 31, 2017:

	Shares (000's)	Weighted Average Grant-Date Fair Value
Non-vested shares and share units at December 31, 2016	4,640	$ 20.15
Granted	956	26.90
Vested	(150)	20.16
Forfeited	(53)	20.99
Non-vested shares and share units at March 31, 2017	5,393	$ 21.34

As of March 31, 2017, there was approximately $49 million of unrecognized compensation cost related to non-vested time-based restricted stock and restricted stock units compensation arrangements granted under the Plan. The cost is expected to be recognized over a weighted-average period of 1.9 years. Compensation cost related to time-based restricted stock and restricted stock units was approximately $6 million for the three months ended March 31, 2017 and 2016, respectively.

17. Reportable Segments

Our reportable segments are as follows:

- Display Technologies – manufactures glass substrates primarily for flat panel liquid crystal displays.
- Optical Communications – manufactures carrier and enterprise network components for the telecommunications industry.
- Environmental Technologies – manufactures ceramic substrates and filters for automotive and diesel applications.
- Specialty Materials – manufactures products that provide more than 150 material formulations for glass, glass ceramics and fluoride crystals to meet demand for unique customer needs.
- Life Sciences – manufactures glass and plastic labware, equipment, media and reagents enabling workflow solutions for scientific applications.

All other segments that do not meet the quantitative threshold for separate reporting have been grouped as "All Other." This group is primarily comprised of the results of Corning's Pharmaceutical Technologies business and new product lines and development projects, as well as certain corporate investments such as Eurokera and Keraglass equity affiliates.

We prepared the financial results for our reportable segments on a basis that is consistent with the manner in which we internally disaggregate financial information to assist in making internal operating decisions. We included the earnings of equity affiliates that are closely associated with our reportable segments in the respective segment's net income. We have allocated certain common expenses among reportable segments differently than we would for stand-alone financial information. Segment net income may not be consistent with measures used by other companies. The accounting policies of our reportable segments are the same as those applied in the Consolidated Financial Statements.

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Reportable Segments (in millions)

	Display Technologies	Optical Communications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Three months ended March 31, 2017							
Net sales	$ 736	$ 818	$ 275	$ 300	$ 210	$ 36	$ 2,375
Depreciation (1)	$ 129	$ 45	$ 31	$ 29	$ 12	$ 12	$ 258
Amortization of purchased intangibles		$ 11			$ 5	$ 1	$ 17
Research, development and engineering expenses (2)	$ 19	$ 37	$ 25	$ 36	$ 6	$ 52	$ 175
Income tax (provision) benefit	$ (102)	$ (45)	$ (14)	$ (24)	$ (8)	$ 25	$ (168)
Net income (loss) (3)	$ 249	$ 82	$ 31	$ 48	$ 17	$ (53)	$ 374

	Display Technologies	Optical Communications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Three months ended March 31, 2016							
Net sales	$ 705	$ 609	$ 264	$ 227	$ 204	$ 38	$ 2,047
Depreciation (1)	$ 151	$ 41	$ 32	$ 28	$ 15	$ 11	$ 278
Amortization of purchased intangibles		$ 7			$ 5	$ 2	$ 14
Research, development and engineering expenses (2)	$ 18	$ 37	$ 25	$ 31	$ 6	$ 47	$ 164
Restructuring, impairment and other charges	$ 4	$ 5	$ 5	$ 12	$ 3	$ 40	$ 69
Income tax (provision) benefit	$ (93)	$ (11)	$ (16)	$ (12)	$ (6)	$ 43	$ (95)
Net income (loss) (3)	$ 209	$ 17	$ 34	$ 26	$ 12	$ (85)	$ 213

(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 expenses include direct project spending that 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. Expenses that are not allocated to the segments are included in the reconciliation of reportable net segment net income to consolidated net income below.

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

	Three months ended March 31,	
	2017	2016
Net income of reportable segments	$ 427	$ 298
Net loss of All Other	(53)	(85)
Unallocated amounts:		
Net financing costs (1)	(26)	(29)
Stock-based compensation expense	(14)	(9)
Exploratory research	(24)	(27)
Corporate contributions	(16)	(7)
Equity in earnings of affiliated companies (2)	79	56
Unrealized loss on foreign currency hedges related to translated earnings	(518)	(950)
Income tax benefit	218	401
Other corporate items	13	(16)
Net income (loss)	$ 86	$ (368)

(1) Net financing costs include interest income, interest expense, and interest costs and investment gains and losses associated with benefit plans.

(2) For the period ending March 31, 2017, the amount represents the equity earnings of HSG. For the period ending March 31, 2016, the amount represents equity earnings from Dow Corning. Refer to Note 9, Investments, for additional information.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ORGANIZATION OF INFORMATION

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides a historical and prospective narrative on the Company's financial condition and results of operations. This interim MD&A should be read in conjunction with the MD&A in our 2016 Form 10-K. The various sections of this MD&A contain a number of forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expects," "intends," "plans," "goals," "believes," "seeks," "estimates," "continues," "may," "will," "should," an such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, uncertain events or assumptions, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in "Risk Factors" in Part I, Item 1A of our 2016 Form 10-K, and as may be updated in our Forms 10-Q. Our actual results may differ materially, and these forward-looking statements do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of March 31, 2017.

Our MD&A includes the following sections:

- Overview
- Results of Operations
- Core Performance Measures
- Reportable Segments
- Capital Resources and Liquidity
- Critical Accounting Estimates
- New Accounting Standards
- Environment
- Forward-Looking Statements

OVERVIEW

Strategy and Capital Allocation Framework

In October 2015, Corning announced a strategy and capital allocation framework (the "Framework") that reflects the Company's financial and operational strengths, as well as its ongoing commitment to increasing shareholder value. The Framework outlines our leadership priorities, and articulates the opportunities we see across our businesses. We designed the Framework to create significant value for shareholders by focusing our portfolio and leveraging our financial strength. Under our Framework we target generating $26 billion to $30 billion of cash through 2019, returning more than $12.5 billion to shareholders and investing $10 billion to sustain our leadership positions and deliver growth.

Our probability of success increases as we invest in our world-class capabilities. Over the next three years, Corning will concentrate approximately 80% of its research, development and engineering investment and capital spending on a cohesive set of three core technologies, four manufacturing and engineering platforms, and five market-access platforms. This strategy will allow us to quickly apply our talents and repurpose our assets as needed.

Summary of results for the three months ending March 31, 2017

Corning delivered strong operating results in the first quarter of 2017, with net sales increasing in all of our segments, and net income up in all but one of our segments, when compared to the same period in 2016. Net sales in the first quarter of 2017 were $2,375 million, compared to $2,047 million in the same period in 2016, an increase of $328 million. Optical Communications and Specialty Materials segments drove the increase, up $209 million and $73 million, respectively. The increase in the Optical Communications segment was due to higher sales of carrier and enterprise network products, combined with the absence of production issues related to the implementation of new manufacturing software in the first quarter of 2016. Strong growth in the North American fiber-to-the-home market drove the increase in carrier network products. The increase in the Specialty Materials segment was driven by higher sales of Corning Gorilla Glass and advanced optics products.

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In the first quarter of 2017, we generated net income of $86 million or $0.07 per share, compared to net loss of $368 million or $(0.36) per share for the same period in 2016. The increase in net income of $454 million was primarily driven by the following items (amounts presented after-tax):

- A decrease in unrealized losses from our translated earnings contracts in the amount of $273 million;
- A decrease of $53 million in restructuring, impairment and other charges;
- An increase in net income of $65 million in the Optical Communications segment, due to higher sales of carrier and enterprise network products, combined with the absence of the production issues in the first quarter of 2016 related to the implementation of new software;
- An increase in net income of $40 million in the Display Technologies segment, driven by an increase in volume in the mid-teens in percentage terms, improvements in manufacturing efficiency and lower restructuring costs, offset somewhat by LCD glass price declines slightly above 10%;
- An increase in net income of $22 million in the Specialty Materials segment, driven by an increase in Corning Gorilla Glass and advanced optics products; and
- An increase in equity earnings, driven primarily by a gain of $46 million resulting from the modification of long-term sales agreements with a customer of HSG, combined with an increase in HSG volume. The increase was partially offset by the absence of equity earnings from Dow Corning's silicones business, which totaled $52 million after tax in the first quarter of 2016.

The translation impact of fluctuations in foreign currency exchange rates did not materially impact Corning's consolidated net income in the three months ended March 31, 2017 when compared to the same period in 2016.

2017 Corporate Outlook

In 2017, Corning will continue the advancement on its Framework initiatives. In the Display Technologies segment, we expect the rate of growth in both retail market and glass demand to be in the mid-single digit percentage. We believe full-year 2017 LCD glass pricing environment will be favorable and better than last year. We expect price declines will be about 10%, or possibly better. In the Optical Communications segment, we anticipate sales to increase by a low-teens percentage over 2016. In the Environmental Technologies segment, we expect sales to be consistent to up slightly from 2016, driven by continued sales growth in the auto market, offset somewhat by lower heavy-duty volume. We expect growth in the Specialty Materials segment, the amount of which will depend on the timing and extent of customers deploying Gorilla Glass 5 and other Corning innovations. In the Life Sciences segment, we expect low-single digit sales growth, ahead of forecasted market growth rates.

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RESULTS OF OPERATIONS

Selected highlights for the first quarter of 2017 and 2016 follow (in millions):

	Three months ended March 31, 2017	2016	% change 17 vs. 16
Net sales	$ 2,375	$ 2,047	16%
Gross margin	$ 957	$ 764	25%
(gross margin %)	40%	37%	
Selling, general and administrative expenses	$ 316	$ 303	4%
(as a % of net sales)	13%	15%	
Research, development and engineering expenses	$ 200	$ 190	5%
(as a % of net sales)	8%	9%	
Equity in earnings of affiliated companies	$ 80	$ 59	36%
(as a % of net sales)	3%	3%	
Translated earnings contract loss, net	$ (438)	$ (857)	(49%)
(as a % of net sales)	(18%)	(42%)	
Income (loss) before income taxes	$ 20	$ (672)	*
(as a % of net sales)	1%	(33%)	
Benefit for income taxes	$ 66	$ 304	(78%)
(as a % of net sales)	3%	15%	
Net income (loss) attributable to Corning Incorporated	$ 86	$ (368)	*
(as a % of net sales)	4%	(18%)	

*Percent change is not meaningful.

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Net Sales

The following table presents net sales by reportable segment (in millions):

	Three months ended March 31,		% change
	2017	2016	17 vs. 16
Display Technologies	$ 736	$ 705	4%
Optical Communications	818	609	34%
Environmental Technologies	275	264	4%
Specialty Materials	300	227	32%
Life Sciences	210	204	3%
All Other	36	38	(5%)
Total net sales	$ 2,375	$ 2,047	16%

For the three months ended March 31, 2017, net sales increased by $328 million, or 16%, when compared to the same period in 2016. The primary sales drivers by segment were as follows:

- An increase of $31 million in the Display Technologies segment, driven by an increase in volume in the mid-teens in percentage terms and the positive impact from the strengthening of the Japanese yen in the amount of $15 million, partially offset by LCD glass price declines slightly higher than 10%;
- An increase of $209 million in the Optical Communications segment, due to higher sales of carrier and enterprise network products, combined with the absence of production issues related to the implementation of new manufacturing software in the first quarter of 2016. Strong growth in the North American fiber-to-the-home market drove the increase in carrier network products;
- An increase of $11 million in the Environmental Technologies segment, driven by an increase of 14% in automotive products due to light-duty substrate market strength in Europe, China and Asia;
- An increase of $73 million in the Specialty Materials segment, driven by strong growth in sales of Corning Gorilla Glass products, combined with an increase in advanced optics products; and
- An increase of $6 million in the Life Sciences segment.

Movements in foreign exchange rates did not materially impact Corning's consolidated net sales in the three months ended March 31, 2017 when compared to the same period in 2016.

Cost of Sales

The types of expenses included in the cost of sales line item are: raw materials consumption, including direct and indirect materials; salaries, wages and benefits; depreciation and amortization; production utilities; production-related purchasing; warehousing (including receiving and inspection); repairs and maintenance; inter-location inventory transfer costs; production and warehousing facility property insurance; rent for production facilities; and other production overhead.

Gross Margin

In the three months ended March 31, 2017, gross margin dollars and gross margin as a percentage of net sales increased when compared to the same period last year, up $193 million and 3%, respectively, driven by higher sales, cost reductions and improvements in manufacturing efficiency in the majority of our segments. The Optical Communications and Display Technologies segments experienced the largest increases.

Selling, General and Administrative Expenses

When compared to the first quarter of 2016, selling, general and administrative expenses increased by $13 million, or 4%, in the three months ended March 31, 2017, driven by an increase in employee benefit expenses and incremental expenses related to two small acquisitions in the Optical Communications segment. As a percentage of sales, selling, general and administrative expenses declined 2%.

The types of expenses included in the selling, general and administrative expenses line item are: salaries, wages and benefits; stock-based compensation expense; travel; sales commissions; professional fees; and depreciation and amortization, utilities and rent for administrative facilities.

Research, Development and Engineering Expenses

For the three months ended March 31, 2017, research, development and engineering expenses increased by $10 million, or 5%, and decreased 1% as a percentage of sales, when compared to the same period last year, driven by higher research and development costs for our emerging businesses, as well as an increase in employee benefit expenses.

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Equity in Earnings of Affiliated Companies

The following provides a summary of equity in earnings of affiliated companies (in millions):

	Three months ended March 31, 2017	2016
Dow Corning Corporation (1)		$ 56
Hemlock Semiconductor Group	$ 79	
All other	1	3
Total equity earnings	$ 80	$ 59

(1) Results include equity earnings of the silicones business and Hemlock Semiconductor business of Dow Corning.

Refer to Note 9 (Investments) to the consolidated financial statements for additional information.

Translated earnings contract loss, net

Included in the line item Translated earnings contract loss, net, is the impact of foreign currency hedges which hedge our translation exposure arising from movements in the Japanese yen, South Korean won, euro, New Taiwan dollar and Chinese yuan against the U.S. dollar and its impact on our net earnings. The following table provides detailed information on the impact of our translated earnings contract losses and gains:

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016		Change 2017 vs. 2016	
(in millions)	Income before income taxes	Net income	Income before income taxes	Net income	Income before income taxes	Net income
Hedges related to translated earnings:						
Realized gains, net	$ 80	$ 50	$ 93	$ 59	$ (13)	$ (9)
Unrealized losses, net	(518)	(326)	(950)	(599)	432	273
Total translated earnings contract loss, net	$ (438)	$ (276)	$ (857)	$ (540)	$ 419	$ 264

The gross notional value outstanding on our translated earnings contracts at March, 31, 2017 and December 31, 2016 were as follows (in billions):

	March 31, 2017	December 31, 2016
Japanese yen-denominated hedges	$ 14.0	$ 14.9
South Korean won-denominated hedges	0.8	1.2
Euro-denominated hedges	0.3	0.3
Chinese yuan-denominated hedges	0.3	0.3
Total gross notional value outstanding	$ 15.4	$ 16.7

Income Before Income Taxes

In the three months ended March 31, 2017, the impact of fluctuations in foreign exchange rates did not materially impact Corning's consolidated income before income taxes when compared to the same period in 2016.

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Benefit for Income Taxes

Our benefit for income taxes and the related effective income tax benefit were as follows (in millions):

	Three Months Ended March 31,	
	2017	2016
Benefit for income taxes	$ 66	$ 304
Effective tax benefit	330.0%	(45.2%)

For the three months ended March 31, 2017, the effective income tax benefit differed from the U.S. statutory rate of 35% primarily due to the following benefits:

- Rate differences on income (loss) of consolidated foreign companies, including the benefit of excess foreign tax credits resulting from the inclusion of foreign earnings in U.S. income; and
- The impact from domestic losses attributable to foreign exchange and losses on translated earnings contracts.

For the three months ended March 31, 2016, the effective income tax benefit differed from the U.S. statutory rate of 35% primarily due to the following benefits:

- Rate differences on income (loss) of consolidated foreign companies, including the benefit of excess foreign tax credits resulting from the inclusion of foreign earnings in U.S. income;
- The impact of equity in earnings of nonconsolidated affiliates reported in the financial statements, net of tax; and
- The impact from domestic losses attributable to foreign exchange and losses on translated earnings contracts..

Refer to Note 5 (Income Taxes) to the consolidated financial statements for additional information.

Net Income (Loss) Attributable to Corning Incorporated

As a result of the items discussed above, our net income (loss) and per share data is as follows (in millions, except per share amounts):

	Three months ended March 31,	
	2017	2016
Net income (loss) attributable to Corning Incorporated	$ 86	$ (368)
Net income (loss) attributable to Corning Incorporated used in basic earnings per common share calculation (1)	$ 62	$ (392)
Net income (loss) attributable to Corning Incorporated used in diluted earnings per common share calculation (1)	$ 62	$ (392)
Basic earnings (loss) per common share	$ 0.07	$ (0.36)
Diluted earnings (loss) per common share	$ 0.07	$ (0.36)
Weighted-average common shares outstanding - basic	925	1,103
Weighted-average common shares outstanding - diluted	936	1,103

(1) Refer to Note 6 (Earnings (loss) per Common Share) to the consolidated financial statements for additional information.

Comprehensive Income

For the three ended March 31, 2017, comprehensive income increased by $527 million, when compared to the same period in 2016, driven by the following items:

- An increase in net income attributable to Corning Incorporated of $454 million;
  - The positive impact due to the change in foreign currency translation gains and losses of $22 million; and
- The change in the amount of net unrealized gains and losses on designated hedges of $45 million.

Refer to Note 15 (Shareholders' Equity) to the consolidated financial statements for additional information.

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CORE PERFORMANCE MEASURES

In managing the Company and assessing our financial performance, we supplement certain measures provided by our consolidated financial statements with measures adjusted to exclude certain items, to arrive at core performance measures. We believe that reporting core performance measures provides investors greater transparency to the information used by our management team to make financial and operational decisions. Corning has adopted the use of constant currency reporting for the Japanese yen and South Korean won, and uses an internally derived yen-to-dollar management rate of ¥99 and won-to-dollar management rate of 1,100.

Net sales, equity in earnings of affiliated companies and net income are adjusted to exclude the impacts of changes in the Japanese yen and the South Korean won, gains and losses on our foreign currency hedges related to translated earnings, acquisition-related costs, discrete tax items, restructuring and restructuring-related charges, certain litigation-related expenses, pension mark-to-market adjustments and other items which do not reflect on-going operating results of the Company or our equity affiliates. Management's discussion and analysis on our reportable segments has also been adjusted for these items, as appropriate. These measures are not prepared in accordance with Generally Accepted Accounting Principles in the United States ("GAAP"). We believe investors should consider these non-GAAP measures in evaluating our results as they are more indicative of our core operating performance and how management evaluates our operational results and trends. These measures are not, and should not be viewed as a substitute for, GAAP reporting measures. With respect to the Company's outlooks for future periods, it is not able to provide reconciliations for these non-GAAP measures because the Company does not forecast the movement of the Japanese yen and South Korean won against the U.S. dollar, or other items that do not reflect ongoing operations, nor does it forecast items that have not yet occurred or are out of the Company's control. As a result, the Company is unable to provide outlook information on a GAAP basis.

See "Use of Non-GAAP Financial Measures" for details on core performance measures. For a reconciliation of non-GAAP performance measures to their most directly comparable GAAP financial measure, please see "Reconciliation of Non-GAAP Measures" below.

RESULTS OF OPERATIONS – CORE PERFORMANCE MEASURES

Selected highlights from our continuing operations, excluding certain items, follow (in millions):

	Three months ended March 31,		% change
	2017	2016	17 vs. 16

Core net sales	$ 2,485	$ 2,171	14%
Core equity in earnings of affiliated companies	$ 8	$ 62	(87)%
Core earnings	$ 407	$ 340	20%

Core Net Sales

The following table presents core net sales by reportable segment (in millions):

	Three months ended March 31,		% change
	2017	2016	17 vs. 16
Display Technologies	$ 846	$ 829	2%
Optical Communications	818	609	34%
Environmental Technologies	275	264	4%
Specialty Materials	300	227	32%
Life Sciences	210	204	3%
All Other	36	38	(5)%
Total core net sales	$ 2,485	$ 2,171	14%

Core net sales increased by $314 million in the three months ended March 31, 2017, when compared to the same period in 2016. In all segments except Display Technologies, core net sales are consistent with GAAP net sales. Because a significant portion of revenues in the Display Technologies segment are denominated in Japanese yen, this segment's net sales are adjusted to remove the impact of translating yen and won into dollars.

When compared to the first quarter of 2016, core net sales in the Display Technologies segment increased by $17 million, or 2%, in the first quarter of 2017, driven by an increase in volume in the mid-teens in percentage terms, offset somewhat by LCD glass price declines slightly higher than 10%.

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Core Equity in Earnings of Affiliated Companies

The following provides a summary of core equity in earnings of affiliated companies (in millions):

	Three months ended March 31, 2017	2016
Dow Corning Corporation (1)		$ 58
Hemlock Semiconductor Group	$ 7	
All other	1	4
Total core equity earnings	$ 8	$ 62

(1) Results include equity earnings of the silicones business and Hemlock Semiconductor business of Dow Corning.

Core Earnings

In the three months ended March 31, 2017, we generated core earnings of $407 million or $0.39 per share, compared to $340 million or $0.28 per share, in the same period in 2016. The increase of $67 million in the first quarter of 2017 was primarily driven by an increase in core earnings of $67 million in the Optical Communications segment, due to higher sales of carrier and enterprise network products, combined with the absence of production issues related to the implementation of new manufacturing software in the first quarter of 2016. Strong growth in the North American fiber-to-the-home market drove the increase in carrier network products. Display Technologies core earnings also increased, up $33 million, driven by an increase in volume in the mid-teens in percentage terms and improvements in manufacturing efficiency, offset somewhat by the LCD glass price declines slightly above 10%.

Included in core earnings for the three months ended March 31, 2017 and 2016 is net periodic pension expense in the amounts of $13 million and $12 million, respectively. Refer to Note 11 (Employee Retirement Plans) to the Consolidated Financial Statements for additional information.

Core Earnings per Common Share

The following table sets forth the computation of core basic and core diluted earnings per common share (in millions, except per share amounts):

	Three months ended March 31,	
	2017	2016
Core earnings attributable to Corning Incorporated	$ 407	$ 340
Less: Series A convertible preferred stock dividend	24	24
Core earnings available to common stockholders - basic	383	316
Add: Series A convertible preferred stock dividend	24	24
Core earnings available to common stockholders - diluted	$ 407	$ 340
Weighted-average common shares outstanding - basic	925	1,103
Effect of dilutive securities:		
Stock options and other dilutive securities	11	8
Series A convertible preferred stock	115	115
Weighted-average common shares outstanding - diluted	1,051	1,226
Core basic earnings per common share	$ 0.41	$ 0.29
Core diluted earnings per common share	$ 0.39	$ 0.28

Reconciliation of Non-GAAP Measures

We utilize certain financial measures and key performance indicators that are not calculated in accordance with GAAP to assess our financial and operating performance. A non-GAAP financial measure is defined as a numerical measure of a company's financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the statement of income or statement of cash flows, or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the comparable measure as calculated and presented in accordance with GAAP in the statement of income or statement of cash flows.

Core net sales, core equity in earnings of affiliated companies and core earnings are non-GAAP financial measures utilized by our management to analyze financial performance without the impact of items that are driven by general economic conditions and events that do not reflect the underlying fundamentals and trends in the Company's operations.

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The following tables reconcile our non-GAAP financial measures to their most directly comparable GAAP financial measure (amounts in millions except percentages and per share amounts):

	Three Months Ended March 31, 2017					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax (benefit) rate (a)	Per share
As reported - GAAP	$ 2,375	$ 80	$ 20	$ 86	(330%)	$ 0.07
Constant-yen (1)	109		99	75		0.07
Constant-won (1)	1		(9)	(7)		(0.01)
Translated earnings contract loss (2)			442	278		0.26
Acquisition-related costs (3)			22	15		0.01
Discrete tax items and other tax-related adjustments (4)				9		0.01
Litigation, regulatory and other legal matters (5)			(12)	(9)		(0.01)
Restructuring, impairment and other charges (6)			10	8		0.01
Equity in earnings of affiliated company (7)		(72)	(72)	(46)		(0.04)
Impacts from the acquisition of Samsung Corning Precision Materials (8)			(3)	(2)		
Core performance measures	$ 2,485	$ 8	$ 497	$ 407	18.1%	$ 0.39

(a) Based upon statutory tax rates in the specific jurisdiction for each event.

See Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, Reconciliation of Non-GAAP Measures, "Items which we exclude from GAAP measures to arrive at core performance measures" for the descriptions of the footnoted reconciling items.

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	Three Months Ended March 31, 2016					
	Net sales	Equity earnings	(Loss) income before income taxes	Net (loss) income	Effective tax (benefit) rate (a)	Per share
As reported - GAAP	$ 2,047	$ 59	$ (672)	$ (368)	(45.2%)	$ (0.36)
Constant-yen (1)	124	2	110	78		0.07
Constant-won (1)		(1)	(20)	(14)		(0.01)
Translated earnings contract loss (2)			857	540		0.49
Acquisition-related costs (3)			14	10		0.01
Discrete tax items and other tax-related adjustments (4)				22		0.02
Restructuring, impairment and other charges (6)			109	75		0.07
Equity in earnings of affiliated companies (7)		2	2	2		
Impacts from the acquisition of Samsung Corning Precision Materials (8)			(11)	(9)		(0.01)
Pension mark-to-market adjustment (9)			7	4		
Core performance measures	$ 2,171	$ 62	$ 396	$ 340	14.1%	$ 0.28

(a) Based upon statutory tax rates in the specific jurisdiction for each event.

See Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, Reconciliation of Non-GAAP Measures, "Items which we exclude from GAAP measures to arrive at core performance measures" for the descriptions of the footnoted reconciling items.

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Items which we exclude from GAAP measures to arrive at core performance measures are as follows:

(1) Constant-currency adjustments:
Constant-yen: Because a significant portion of Display Technologies segment revenues and manufacturing costs are denominated in Japanese yen, management believes it is important to understand the impact on core earnings of translating yen into dollars. Presenting results on a constant-yen basis mitigates the translation impact of the Japanese yen, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and establish operational goals and forecasts. As of January 1, 2015, we used an internally derived management rate of ¥99, which is closely aligned to our current yen portfolio of foreign currency hedges, and have recast all periods presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.
Constant-won: Because a significant portion of Corning Precision Materials' costs are denominated in South Korean won, management believes it is important to understand the impact on core earnings from translating won into dollars. Presenting results on a constant-won basis mitigates the translation impact of the South Korean won, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and establish operational goals and forecasts without the variability caused by the fluctuations caused by changes in the rate of this currency. We use an internally derived management rate of 1,100, which is consistent with historical prior period averages of the won.
(2) Translated earnings contract loss: We have excluded the impact of the gains and losses of our foreign currency hedges related to translated earnings for each period presented.
(3) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.
(4) Discrete tax items and other tax-related adjustments: This represents the removal of discrete adjustments attributable to changes in tax law and changes in judgment about the realizability of certain deferred tax assets, as well as other non-operational tax-related adjustments.
(5) Litigation, regulatory and other legal matters: Includes amounts related to legal matters.
(6) Restructuring, impairment and other charges: This amount includes restructuring, impairment and other charges, including goodwill impairment charges and other expenses and disposal costs not classified as restructuring expense.
(7) Equity in earnings of affiliated companies: These adjustments relate to items which do not reflect expected on-going operating results of our affiliated companies, such as restructuring, impairment and other charges and settlements under "take-or-pay" contracts.
(8) Impacts from the acquisition of Samsung Corning Precision Materials: Pre-acquisition gains and losses on previously held equity investment and other gains and losses related to the acquisition, including post-combination expenses, fair value adjustments to the indemnity asset related to contingent consideration and the impact of the withholding tax on a dividend from Samsung Corning Precision Materials.
(9) Pension mark-to-market adjustment: Mark-to-market pension gains and losses, which arise from changes in actuarial assumptions and the difference between actual and expected returns on plan assets and discount rates.

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REPORTABLE SEGMENTS

Our reportable segments are as follows:

- Display Technologies – manufactures glass substrates primarily for flat panel liquid crystal displays.
- Optical Communications – manufactures carrier and enterprise network components for the telecommunications industry.
- Environmental Technologies – manufactures ceramic substrates and filters for automotive and diesel emission control applications.
- Specialty Materials – manufactures products that provide more than 150 material formulations for glass, glass ceramics and fluoride crystals to meet demand for unique customer needs.
- Life Sciences – manufactures glass and plastic labware, equipment, media and reagents enabling workflow solutions for scientific applications.

All other segments that do not meet the quantitative threshold for separate reporting have been grouped as “All Other.” This group is primarily comprised of the results of Corning’s Pharmaceutical Technologies business and new product lines and development projects, as well as certain corporate investments such as Eurokera and Keraglass equity affiliates.

We prepared the financial results for our reportable segments on a basis that is consistent with the manner in which we internally disaggregate financial information to assist in making internal operating decisions. We included the earnings of equity affiliates that are closely associated with our reportable segments in the respective segment’s net income. We have allocated certain common expenses among our reportable segments differently than we would for stand-alone financial information prepared in accordance with GAAP. Our reportable segments include non-GAAP measures which are not prepared in accordance with GAAP. We believe investors should consider these non-GAAP measures in evaluating our results as they are more indicative of our core operating performance and how management evaluates our operational results and trends. These measures are not, and should not be viewed as a substitute for GAAP reporting measures. For a reconciliation of non-GAAP performance measures to their most directly comparable GAAP financial measure, please see “Reconciliation of Non-GAAP Measures” above. Segment net income may not be consistent with measures used by other companies. The accounting policies of our reportable segments are the same as those applied in the consolidated financial statements.

Display Technologies

The following tables provide net sales and net income for the Display Technologies segment and reconcile the non-GAAP financial measures for the Display Technologies segment with our consolidated financial statements presented in accordance with GAAP (in millions):

	Three months ended March 31, 2017	
(in millions)	Net sales	Net income
As reported - GAAP	$ 736	$ 249
Constant-yen (1)	109	72
Constant-won (1)	1	(6)
Translated earnings contract gain (2)		(48)
Litigation, regulatory and other legal matters (5)		(9)
Impacts from the acquisition of Samsung Corning Precision Materials (8)		(2)
Core performance	$ 846	$ 256

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	Three months ended March 31, 2016	
(in millions)	Net sales	Net income
As reported - GAAP	$ 705	$ 209
Constant-yen (1)	124	81
Constant won (1)		(13)
Translated earnings contract gain (2)		(58)
Restructuring, impairment and other charges (6)		13
Impacts from the acquisition of Samsung Corning Precision Materials (8)		(9)
Core performance	$ 829	$ 223

See Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, Reconciliation of Non-GAAP Measures, "Items which we exclude from GAAP measures to arrive at core performance measures" for the descriptions of the footnoted reconciling items.

As Reported

Net sales in the Display Technologies segment increased by $31 million, or 4%, in the first quarter of 2017 when compared to the first quarter of 2016. The increase was driven by an increase in volume in the mid-teens in percentage terms and the positive impact from the strengthening of the Japanese yen in the amount of $15 million, partially offset by LCD glass price declines slightly higher than 10%. Sequential LCD glass prices declined moderately, equaling the best first-quarter decline of the past six years. Net income increased by $40 million, or 19%, in the first quarter of 2017, when compared to the first quarter of 2016 driven by the volume increase described above, improved manufacturing efficiency and a decrease of $13 million in restructuring costs, offset somewhat by the LCD glass price declines described above and lower realized gains on our yen and won-denominated currency hedges in the amount of $10 million.

Core Performance

Core net sales increased in the first quarter of 2017 by $17 million, or 2%, when compared to the first quarter of 2016, driven by an increase in volume in the mid-teens in percentage terms, partially offset by LCD glass price declines slightly higher than 10%. Sequential LCD glass prices declined moderately, equaling the best first-quarter decline of the past six years. Core earnings also increased in the first quarter of 2017, up $33 million, or 15%, driven by the increase in volume described above and improvements in manufacturing efficiency. LCD glass price declines slightly higher than 10% partially offset the increase.

Outlook:

In the second quarter, the overall LCD glass market and Corning's volume are expected to increase by a low single-digit percentage sequentially, which is equivalent to a mid-single digit percentage increase year over year. The company anticipates sequential LCD glass price declines will be substantially less than the first quarter of 2017.

Optical Communications

The following tables provide net sales and net income for the Optical Communications segment and reconcile the non-GAAP financial measures for the Optical Communications segment with our consolidated financial statements presented in accordance with GAAP (in millions):

	Three months ended March 31, 2017	
(in millions)	Net sales	Net income
As reported - GAAP	$ 818	$ 82
Acquisition-related costs (3)		9
Restructuring, impairment and other charges (6)		2
Core performance	$ 818	$ 93

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(in millions)	Three months ended March 31, 2016 Net sales	Net income
As reported - GAAP	$ 609	$ 17
Acquisition-related costs (3)		4
Restructuring, impairment and other charges (6)		5
Core performance	$ 609	$ 26

See Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, Reconciliation of Non-GAAP Measures, "Items which we exclude from GAAP measures to arrive at core performance measures" for the descriptions of the footnoted reconciling items.

As Reported

Net sales in the Optical Communications segment increased by $209 million, or 34%, in the first quarter of 2017 when compared to the same period in 2016. The increase was due to higher sales of carrier and enterprise network products, combined with the absence of production issues related to the implementation of new manufacturing software in the first quarter of 2016. Strong growth in the North American fiber-to-the-home market drove the increase in carrier network products. Net income in the first quarter of 2017 increased by $65 million, or 382%, when compared to the first quarter of 2016, driven by the increase in sales described above. Movements in foreign exchange rates did not materially impact net sales and net income in this segment in the three months ended March 31, 2017 when compared to the same period in 2016.

Core Performance

Core earnings increased in the first quarter of 2017 by $67 million, or 258%, respectively, driven by the items impacting the "As Reported" results described above.

Outlook:

In the second quarter, Corning expects Optical Communications sales to be up approximately 10% year-over-year.

Environmental Technologies

The following tables provide net sales and net income for the Environmental Technologies segment and reconciles the non-GAAP financial measures for the Environmental Technologies segment with our consolidated financial statements presented in accordance with GAAP (in millions):

	Three months ended March 31, 2017	
(in millions)	Net sales	Net income
As reported - GAAP	$ 275	$ 31
Restructuring, impairment and other charges (6)		6
Core performance measures	$ 275	$ 37

	Three months ended March 31, 2016	
(in millions)	Net sales	Net income
As reported - GAAP	$ 264	$ 34
Restructuring, impairment and other charges (6)		3
Core performance measures	$ 264	$ 37

See Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, Reconciliation of Non-GAAP Measures, "Items which we exclude from GAAP measures to arrive at core performance measures" for the descriptions of the footnoted reconciling items.

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As Reported

Net sales in the Environmental Technologies segment increased $11 million, or 4%, in the first quarter of 2017 when compared to the same period in 2016. Sales of automotive products increased 14%, driven by higher sales of light-duty substrate products due to market strength in Europe, China and Asia. Lower sales of heavy-duty diesel products in North America partially offset this increase. Net income in the first quarter of 2017 decreased by $3 million, or 9%, driven by higher restructuring, impairment and other charges, and expenses in support of new product launches. Movements in foreign exchange rates did not materially impact net sales and net income in this segment in the three months ended March 31, 2017 when compared to the same period in 2016.

Core Performance

In the first quarter of 2017, core earnings remained consistent with the first quarter of 2016.

Outlook:

In the second quarter, the Company anticipates Environmental Technologies sales will be consistent with the second quarter of 2016.

Specialty Materials

The following tables provide net sales and net income for the Specialty Materials segment and reconciles the non-GAAP financial measures for the Specialty Materials segment with our consolidated financial statements presented in accordance with GAAP (in millions):

	Three months ended March 31, 2017	
(in millions)	Net sales	Net income
As reported - GAAP	$ 300	$ 48
Core performance	$ 300	$ 48

(in millions)	Three months ended March 31, 2016 Net sales	Net income
As reported - GAAP	$ 227	$ 26
Constant-yen (1)		(1)
Constant-won (1)		(1)
Restructuring, impairment and other charges (6)		8
Core performance	$ 227	$ 32

See Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, Reconciliation of Non-GAAP Measures, "Items which we exclude from GAAP measures to arrive at core performance measures" for the descriptions of the footnoted reconciling items.

As Reported

Net sales in the Specialty Materials segment increased by $73 million, or 32%, in the first quarter of 2017 when compared to the same period in 2016, driven by strong growth in sales of Gorilla Glass products, combined with an increase in advanced optics products. Net income in the first quarter of 2017 increased by $22 million, or 85%, due to the significant increase in sales and the absence of restructuring charges, offset slightly by higher selling and administrative costs. Movements in foreign exchange rates did not materially impact net sales and net income in the Specialty Materials segment in the three months ended March 31, 2017 when compared to the same period in 2016.

Core Performance

Core earnings increased by $16 million, or 50%, in the three months ended March 31, 2017, driven primarily by the increase in sales of Corning Gorilla Glass and advanced optics products, offset slightly by higher selling and administrative costs.

Outlook:

On a year-over-year basis, second-quarter segment sales are expected to grow in the high-teens on a percentage basis.

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Life Sciences

The following tables provide net sales and net income for the Life Sciences segment and reconcile the non-GAAP financial measures for the Life Sciences segment with our consolidated financial statements presented in accordance with GAAP (in millions):

	Three months ended March 31, 2017	
(in millions)	Net sales	Net income
As reported – GAAP	$ 210	$ 17
Acquisition-related costs (3)		3
Core performance	$ 210	$ 20

	Three months ended March 31, 2016	
(in millions)	Net sales	Net income
As reported – GAAP	$ 204	$ 12
Acquisition-related costs (3)		3
Restructuring, impairment and other charges (6)		3
Core performance	$ 204	$ 18

See Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, Reconciliation of Non-GAAP Measures, "Items which we exclude from GAAP measures to arrive at core performance measures" for the descriptions of the footnoted reconciling items.

As Reported

Net sales in the Life Sciences segment increased by $6 million, or 3%, in the first quarter of 2017 when compared to the same period in 2016, driven by strong performance globally. Net income increased by $5 million, or 42%, driven by an increase in volume and a decrease in restructuring expenses. Movements in foreign exchange rates negatively impacted net sales in the amount of $4 million and net income in the amount of $1 million.

Core Performance

Core earnings in the three months ended March 31, 2017 increased by 11%, driven by an increase in volume, offset slightly by the negative impact of movements in foreign exchange rates of $1 million.

Outlook:

Second-quarter sales are expected to grow by a low single-digit percentage when compared to the second quarter of 2016.

All Other

All other segments that do not meet the quantitative threshold for separate reporting have been grouped as “All Other.” This group is primarily comprised of the results of Corning’s Pharmaceutical Technologies business and new product lines and development projects, as well as certain corporate investments such as Eurokera and Keraglass equity affiliates.

The following table provides net sales and other data for All Other (in millions):

	Three months ended March 31,	
As Reported	2017	2016
Net sales	$ 36	$ 38
Research, development and engineering expenses	$ 52	$ 47
Equity earnings of affiliated companies	$ 1	$ 3
Net loss	$ (53)	$ (85)

Net sales of this segment in the first quarter of 2017 were consistent with the first quarter of 2016. The decrease in the net loss of this segment reflects the absence of asset write-offs in emerging businesses recorded in the first quarter of 2016.

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CAPITAL RESOURCES AND LIQUIDITY

Financing and Capital Resources

There were no significant items that impacted Corning's financing structure in the three months ended March 31, 2017 and 2016.

Common Stock Dividends

On February 3, 2016, Corning's Board of Directors declared a 12.5% increase in the Company's quarterly common stock dividend, which increased the quarterly dividend from $0.12 to $0.135 per share of common stock, beginning with the dividend paid in the first quarter of 2016.

On February 1, 2017, Corning's Board of Directors declared a 14.8% increase in the Company's quarterly common stock dividend, which increased the quarterly dividend from $0.135 to $0.155 per share of common stock, beginning with the dividend to be paid in the first quarter of 2017. This increase marks the sixth dividend increase since October 2011.

Share Repurchase Program

In three months ended March 31, 2017, Corning repurchased 15.3 million shares of common stock for $408.3 million.

Capital Spending

Capital spending totaled $364 million and $270 million in the three months ended March 31, 2017 and 2016, respectively. We expect our 2017 capital expenditures to be approximately $1.5 billion, driven by expansions related to the Gen 10.5 glass manufacturing facility in China, the addition of capacity to support the new gas-particulate filters business in the Environmental Technologies segment and investment to support growth in customer demand in the Optical Communications and Specialty Materials segments.

Cash Flow

Summary of cash flow data (in millions):

	Three months ended March 31,	
	2017	2016
Net cash provided by (used in) operating activities	$ 191	$ (80)
Net cash used in investing activities	$ (326)	$ (76)
Net cash used in financing activities	$ (388)	$ (916)

Net cash provided by operating activities increased by $271 million in the three months ended March 31, 2017 when compared to the same period last year, driven largely by the increase in net income net of non-cash items, a decline in taxes paid of approximately $100 million and an increase in dividends received from affiliated companies of $34 million.

Net cash used in investing activities increased by $250 million in the three months ended March 31, 2017, when compared to the same period last year, driven by an increase of $94 million in capital expenditures, the absence of cash received from the liquidation of short-term investments of $121 million and cash paid in the amount of $35 million for a small acquisition completed in the first quarter of 2017.

Net cash used in financing activities in the three months ended March 31, 2017 decreased when compared to the same period last year, driven by lower share repurchases, down $303 million, an increase of $173 million in proceeds from the exercise of stock options and the absence of $64 million of debt repayments made in the first quarter of 2016.

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Key Balance Sheet Data

Balance sheet and working capital measures are provided in the following table (in millions):

	As of March 31, 2017	As of December 31, 2016
Working capital	$ 6,297	$ 6,297
Current ratio	3.6:1	3.3:1
Trade accounts receivable, net of allowances	$ 1,583	$ 1,481
Days sales outstanding	60	54
Inventories	$ 1,544	$ 1,471
Inventory turns	3.8	3.8
Days payable outstanding (1)	50	45
Long-term debt	$ 3,669	$ 3,646
Total debt to total capital	18%	18%

(1) Includes trade payables only.

Credit Rating

Our credit ratings remain the same as those disclosed in our 2016 Form 10-K.

RATING AGENCY	Rating Long-Term Debt	Outlook last update
Standard & Poor's	BBB+	Stable October 27, 2015
Moody's	Baa1	Stable October 28, 2015

Management Assessment of Liquidity

We ended the first quarter of 2017 with approximately $4.8 billion of cash and cash equivalents. Our cash and cash equivalents are held in various locations throughout the world and generally are unrestricted. Although approximately 66% of the consolidated amount was held outside of the United States at March 31, 2017, we have sufficient U.S. liquidity, including borrowing capacity, to fund foreseeable U.S. cash needs without requiring the repatriation of foreign cash. We utilize a variety of financing strategies to ensure that our worldwide cash is available in the locations in which it is needed.

It is our policy to manage our exposure to changes in interest rates. To manage interest rate exposure, the Company, from time to time, enters into interest rate swap agreements. We are currently party to two interest rate swaps that are designated as fair value hedges and economically exchange a notional amount of $550 million of previously issued fixed rate long-term debt to floating rate debt. Under the terms of the swap agreements, we pay the counterparty a floating rate that is indexed to the one-month LIBOR rate.

Corning also has a commercial paper program pursuant to which we may issue short-term, unsecured commercial paper notes. On July 20, 2016, Corning's Board of Directors approved an increase to the allowable maximum aggregate principal amount outstanding at any time from $1 billion to $2 billion. Under this program, the Company may issue the notes from time to time and will use the proceeds for general corporate purposes. The Company's $2 billion revolving credit facility is available to support obligations under the commercial paper program, if needed. Corning did not have outstanding commercial paper at March 31, 2017 and December 31, 2016.

Other

We complete comprehensive reviews of our significant customers and their creditworthiness by analyzing their financial strength at least annually or more frequently for customers where we have identified a measure of increased risk. We closely monitor payments and developments which may signal possible customer credit issues. We currently have not identified any potential material impact on our liquidity resulting from customer credit issues.

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Our major source of funding for 2017 and beyond will be our operating cash flow, our existing balances of cash and cash equivalents and proceeds from any issuances of debt. We believe we have sufficient liquidity for the next several years to fund operations, acquisitions, the asbestos litigation, capital expenditures, scheduled debt repayments and dividend payments and share repurchase programs.

Corning has access to a $2 billion unsecured committed revolving credit facility. This credit facility includes a leverage ratio financial covenant. The required leverage ratio, which measures debt to total capital, is a maximum of 50%. At March 31, 2017, our leverage using this measure was approximately 18% and we are in compliance with the financial covenant.

Our debt instruments contain customary event of default provisions, which allow the lenders the option of accelerating all obligations upon the occurrence of certain events. In addition, some of our debt instruments contain a cross default provision, whereby an uncured default in excess of a specified amount on one debt obligation of the Company, also would be considered a default under the terms of another debt instrument. As of March 31, 2017, we were in compliance with all such provisions.

Management is not aware of any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in a material decrease in our liquidity. In addition, other than items discussed, there are no known material trends, favorable or unfavorable, in our capital resources and no expected material changes in the mix and relative cost of such resources.

Off Balance Sheet Arrangements

There have been no material changes outside the ordinary course of business in our off balance sheet arrangements as disclosed in our 2016 Form 10-K under the caption "Off Balance Sheet Arrangements."

Contractual Obligations

There have been no material changes outside the ordinary course of business in the contractual obligations disclosed in our 2016 Form 10-K under the caption "Contractual Obligations."

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported therein. The estimates that require management's most difficult, subjective or complex judgments are described in our 2016 Form 10-K and remain unchanged through the first three months of 2017. For certain items, additional details are provided below.

Impairment of Assets Held for Use

We are required to assess the recoverability of the carrying value of long-lived assets when an indicator of impairment has been identified. We review our long-lived assets in each quarter in which impairment indicators are present. We must exercise judgment in assessing whether an event of impairment has occurred.

Manufacturing equipment includes certain components of production equipment that are constructed of precious metals, primarily platinum and rhodium. These metals are not depreciated because they have very low physical losses and are repeatedly reclaimed and reused in our manufacturing process and have a very long useful life. Precious metals are reviewed for impairment as part of our assessment of long-lived assets. This review considers all of the Company's precious metals that are either in place in the production process; in reclamation, fabrication, or refinement in anticipation of re-use; or awaiting use to support increased capacity. Precious metals are only acquired to support our manufacturing operations and are not held for trading or other purposes.

At March 31, 2017 and December 31, 2016, the carrying value of precious metals was higher than the fair market value by $837 million and $890 million, respectively. These precious metals are utilized by the Display Technologies and Specialty Materials segments. Corning believes these precious metal assets to be recoverable due to the significant positive cash flow in both segments. The potential for impairment exists in the future if negative events significantly decrease the cash flow of these segments. Such events include, but are not limited to, a significant decrease in demand for products or a significant decrease in profitability in our Display Technologies or Specialty Materials segments.

NEW ACCOUNTING STANDARDS

Refer to Note 1 (Significant Accounting Policies) to the Consolidated Financial Statements.

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ENVIRONMENT

Corning has been named by the Environmental Protection Agency ("the Agency") under the Superfund Act, or by state governments under similar state laws, as a potentially responsible party for 17 active hazardous waste sites. Under the Superfund Act, all parties who may have contributed any waste to a hazardous waste site, identified by the Agency, are jointly and severally liable for the cost of cleanup unless the Agency agrees otherwise. It is Corning's policy to accrue for its estimated liability related to Superfund sites and other environmental liabilities related to property owned by Corning based on expert analysis and continual monitoring by both internal and external consultants. At March 31, 2017 and December 31, 2016, Corning had accrued approximately $42 million (undiscounted) and $43 million (undiscounted), respectively, for the estimated liability for environmental cleanup and related litigation. Based upon the information developed to date, management believes that the accrued reserve is a reasonable estimate of the Company's liability and that the risk of an additional loss in an amount materially higher than that accrued is remote.

FORWARD-LOOKING STATEMENTS

The statements in this Quarterly Report on Form 10-Q, in reports subsequently filed by Corning with the Securities and Exchange Commission ("SEC") on Forms 8-K, and related comments by management that are not historical facts or information and contain words such as "will," "believe," "anticipate," "expect," "intend," "plan," "seek," "see," "would," and " similar expressions are forward-looking statements. Such statements relate to future events that by their nature address matters that are, to different degrees, uncertain. These forward-looking statements relate to, among other things, the company's future operating performance, the company's share of new and existing markets, the company's revenue and earnings growth rates, the company's ability to innovate and commercialize new products, and the company's implementation of cost-reduction initiatives and measures to improve pricing, including the optimization of the company's manufacturing capacity.

Although the company believes that these forward-looking statements are based upon reasonable assumptions regarding, among other things, current estimates and forecasts, general economic conditions, its knowledge of its business, and key performance indicators that impact the company, actual results could differ materially. The company does not undertake to update forward-looking statements. Some of the risks, uncertainties and other factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements include, but are not limited to:

- global business, financial, economic and political conditions;
- tariffs and import duties;
- currency fluctuations between the U.S. dollar and other currencies, primarily the Japanese yen, New Taiwan dollar, euro, Chinese yuan and South Korean won;

- product demand and industry capacity;
- competitive products and pricing;
- availability and costs of critical components and materials;
- new product development and commercialization;
- order activity and demand from major customers;
- the amount and timing of our cash flows and earnings and other conditions, which may affect our ability to pay our quarterly dividend at the planned level or to repurchase shares at planned levels;
- possible disruption in commercial activities due to terrorist activity, cyber-attack, armed conflict, political or financial instability, natural disasters, or major health concerns;
- unanticipated disruption to equipment, facilities, IT systems or operations;
- effect of regulatory and legal developments;
- ability to pace capital spending to anticipated levels of customer demand;
- rate of technology change;
- ability to enforce patents and protect intellectual property and trade secrets;
- adverse litigation;
- product and components performance issues;
- retention of key personnel;
- customer ability, most notably in the Display Technologies segment, to maintain profitable operations and obtain financing to fund their ongoing operations and manufacturing expansions and pay their receivables when due;
- loss of significant customers;
- changes in tax laws and regulations;
- the potential impact of legislation, government regulations, and other government action and investigations; and
- other risks detailed in Corning's SEC filings.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Disclosures

As noted in our 2016 Form 10-K, we operate and conduct business in many foreign countries and as a result are exposed to fluctuations between the U.S. dollar and other currencies. Volatility in the global financial markets could increase the volatility of foreign currency exchange rates which would, in turn, impact our sales and net income. For a discussion of our exposure to market risk and how we mitigate that risk, refer to Part II, Item 1A, Risk Factors in this Quarterly Report on Form 10-Q and Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risks, contained in our 2016 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of Corning's management, including our chief executive officer and chief financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of March 31, 2017, the end of the period covered by this report. Based on that evaluation, we have concluded that the Company's disclosure controls and procedures were effective as of that date. Corning's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Corning in the reports that it files or submits under the Exchange Act is accumulated and communicated to Corning's management, including Corning's principal executive and principal financial officers, or other persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

An evaluation of our internal controls over financial reporting was also performed to determine whether any changes have occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The chief executive officer and chief financial officer concluded that there was no change in Corning's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

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Part II – Other Information

ITEM 1. LEGAL PROCEEDINGS

Non-PCC Asbestos Claims. See our 2016 Form 10-K, Part I, Item 3. For additional information and updates to estimated liabilities as of March 31, 2017, see Part I, Item 1, Financial Statements, Note 3 (Commitments, Contingencies and Guarantees) of the Notes to Unaudited Consolidated Financial Statements included under Item 1 of this quarterly report, which is incorporated herein by reference.

Environmental Litigation. See our 2016 Form 10-K, Part I, Item 3. For additional information and updates to estimated liabilities as of March 31, 2017, see Part I, Item 1, Financial Statements, Note 3 (Commitments, Contingencies and Guarantees) of the Notes to Unaudited Consolidated Financial Statements included under Item 1 of this quarterly report, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2016 Form 10-K, which could materially impact our business, financial condition or future results. Risks disclosed in our 2016 Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may materially adversely impact our business, financial condition or operating results. There have been no material changes to Part I, Item 1A. Risk Factors in our 2016 Form 10-K.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

This table provides information about our purchases of our common stock during the first quarter of 2017:

Issuer Purchases of Equity Securities

Period	Total number of shares purchased (1)	Average price paid per share (1)	Number of shares purchased as part of publicly announced plan or program (2)	Approximate dollar value of shares that may yet be purchased under the plans or programs (2)
January 1-31, 2017	3,639,506	$ 24.96	3,595,118	$ 3,937,248,964
February 1-28, 2017	5,047,263	$ 27.01	5,013,373	$ 3,801,803,924
March 1-31, 2017	6,668,216	$ 27.49	6,664,144	$ 3,618,620,933
Total	15,354,985	$ 26.73	15,272,635	$ 3,618,620,933

(1) This column reflects the following transactions during the first quarter of 2017: (i) the deemed surrender to us of 58,888 shares of common stock to satisfy tax withholding obligations in connection with the vesting of employee restricted stock units; (ii) the surrender to us of 23,462 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees; and (iii) the purchase of 15,272,635 shares of common stock (1,102,150 shares of common stock in conjunction with the repurchase program announced on October 26, 2015 and 14,170,485 shares of common stock in conjunction with the repurchase program announced on December 7, 2016).

(2) On October 26, 2015, Corning's Board of Directors authorized the repurchase of up to $4 billion worth of shares of common stock. This authorization was fully utilized in the first quarter of 2017. On December 7, 2016, Corning's Board of Directors authorized a share repurchase program with no expiration for the repurchase of up to $4 billion of common stock (the "2016 Repurchase Program").

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ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Exhibit Name
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Exchange Act
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Exchange Act
32	Certification Pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document
101.DEF	XBRL Taxonomy Definition Document

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Corning Incorporated (Registrant)
April 25, 2017 Date	/s/ Edward Schlesinger Edward Schlesinger Vice President and Corporate Controller