CORNING INC /NY
Form 10-K
February 13, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission file number: 1-3247

CORNING INCORPORATED

(Exact name of registrant as specified in its charter)

NEW YORK	**16-0393470**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
ONE RIVERFRONT PLAZA, CORNING, NY	**14831**
(Address of principal executive offices)	(Zip Code)

607-974-9000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.50 par value per share	New York State Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

As of June 30, 2011, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was $28.1 billion based on the $18.15 price as reported on the New York Stock Exchange.

There were 1,518,270,483 shares of Corning s common stock issued and outstanding as of January 31, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Definitive Proxy Statement dated March 13, 2012, and filed for the Registrant s 2012 Annual Meeting of Shareholders are incorporated into Part III, as specifically set forth in Part III.

PART I

Corning Incorporated and its consolidated subsidiaries are hereinafter sometimes referred to as the Company, the Registrant, Corning, or we.

This report contains forward-looking statements that involve a number of risks and uncertainties. These statements relate to our future plans, objectives, expectations and estimates and may contain words such as believes, expects, anticipates, estimates, forecasts, or similar expressio Our actual results could differ materially from what is expressed or forecasted in our forward-looking statements. Some of the factors that could contribute to these differences include those discussed under Forward-Looking Statements, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report.

Item 1. Business

General

Corning traces its origins to a glass business established in 1851. The present corporation was incorporated in the State of New York in December 1936. The Company s name was changed from Corning Glass Works to Corning Incorporated on April 28, 1989.

Corning is a global, technology-based corporation that operates in five reportable segments: Display Technologies, Telecommunications, Environmental Technologies, Specialty Materials and Life Sciences. Corning manufactures and processes products at approximately 80 plants in 13 countries.

Display Technologies Segment

Corning s Display Technologies segment manufactures glass substrates for active matrix liquid crystal displays (LCDs), that are used primarily in notebook computers, flat panel desktop monitors, and LCD televisions. Corning s facilities in Kentucky, Japan, Taiwan, and China and those of Samsung Corning Precision Materials Co., Ltd. (Samsung Corning Precision) in Korea develop, manufacture and supply high quality glass substrates using a proprietary fusion manufacturing process and technology expertise. Corning owns 50% of Samsung Corning Precision, Samsung Electronics Co., Ltd. owns 43% and three other shareholders own the remaining 7%. Samsung Corning Precision sells LCD glass to panel manufacturers in Korea, while panel manufacturers located in Japan, Taiwan, Singapore and China and other leading LCD-producing areas of the world are supplied by Corning. Samsung Corning Precision s financial statements are attached in Item 15, Exhibits and Financial Statement Schedules.

Corning is a technology leader in this market introducing large-sized glass substrates used by our customers in the production of larger LCDs for monitors and television. We are recognized for providing product innovations that help our customers produce larger, lighter, thinner and higher-resolution displays more affordably. In industry language, glass sizes advance in what are called generations. Glass substrates are currently available from Corning in sizes up to Generation 10 (2,850mm x 3,050mm). Generation 10 glass substrates are produced at an advanced manufacturing facility located at Sharp Corporation s industrial complex in Sakai City, Japan, which eliminates the need for traditional packaging, shipping, and delivery methods. Large substrates (Generation 5 and higher) allow LCD manufacturers to produce larger and a greater number of panels from each substrate. The larger size leads to economies of scale for LCD manufacturers.

Corning invented its proprietary fusion manufacturing process, which is the cornerstone of the Company s technology leadership in the LCD industry. The automated process yields high quality glass substrates with excellent dimensional stability and uniformity - essential attributes for the production of increasingly larger, high performance active matrix LCDs. Corning s fusion process is scalable and is thought to be the most effective process in producing large size substrates. In 2006, Corning launched EAGLE XG®, the industry s first environmentally-friendly LCD glass substrate that is free of heavy metals. In 2010, leveraging the EAGLE XG® composition, Corning introduced EAGLE XG® Slim glass, a new line of slim glass substrates which enables lighter-weight portable devices and thinner televisions and monitors. In 2011, Corning launched Corning Lotus Glass, an environmentally friendly, high-performance display glass developed to enable cutting-edge technologies, including organic light-emitting diode (OLED) displays and next generation liquid crystal displays (LCD). Corning Lotus Glass helps support the demanding manufacturing processes of both OLED and liquid crystal displays for high performance, portable devices such as smart phones, tablets, and notebook computers.

LCD glass manufacturing is a highly capital intensive business. Corning has made significant investments to expand its LCD glass facilities in response to customer demand. The environment is very competitive. Important attributes for success include efficient manufacturing, access to capital, technology know-how, and patents.

Patent protection and proprietary trade secrets are important to this segment s operations. Corning has a growing portfolio of patents relating to its products, technologies and manufacturing processes. Corning licenses certain of its patents to Samsung Corning Precision and other third parties and generates royalty income from these licenses. Refer to the material under the heading Patents and Trademarks for information relating to patents and trademarks.

The Display Technologies segment represented 40% of Corning s sales for 2011.

Telecommunications Segment

The Telecommunications segment produces optical fiber and cable, and hardware and equipment products for the worldwide telecommunications industry. Corning invented the world s first low-loss optical fiber approximately 40 years ago and now offers a range of optical fiber technology products and enhancements for a variety of applications, including premises, fiber-to-the-home access, metropolitan, long-haul and submarine networks. Corning makes and sells InfiniCor® fibers for local area networks, data centers and central offices; SMF-28e+ single-mode optical fiber that provides additional transmission wavelengths in metropolitan and access networks; SMF-28® ULL fiber; LEAF® optical fiber for long-haul, regional and metropolitan networks; ClearCurve® ultra-bendable single-mode fiber for use in multiple dwelling units and fiber-to-the-home applications; ClearCurve® ultra-bendable multimode fiber for data centers and other enterprise networks; and Vascade® submarine optical fibers for use in submarine networks. Corning has two optical fiber manufacturing facilities in North Carolina and another facility in China.

A significant portion of Corning s optical fiber is sold to subsidiaries and affiliates including Corning Cable Systems LLC, Beijing CCS Optical Fiber Cable Co., Ltd., Chengdu CCS Optical Fiber Cable Co., Ltd. and Corning Cable Systems Polska Sp. Z o.o. Optical fiber is cabled by these subsidiaries prior to being sold to end users. Corning s remaining fiber production is sold directly to end users or third party cablers around the world. Corning s cabling operations include facilities in North Carolina, Poland, China, Germany and smaller regional locations and equity affiliates.

Corning s hardware and equipment products include cable assemblies, fiber optic hardware, fiber optic connectors, optical components and couplers, closures and pedestals, splice and test equipment and other accessories for optical connectivity. For copper connectivity, Corning s products include subscriber demarcation, connection and protection devices, xDSL (different variations of digital subscriber lines) passive solutions and outside plant enclosures. Each of these product lines may be combined in Corning s fiber-to-the-premises solutions. Corning also provides distributed antenna system solutions for flexible wireless coverage in the rapidly growing wireless market. Corning has manufacturing operations for hardware and equipment products in North Carolina, Arizona, Virginia and Texas, as well as Europe, Mexico, Israel and China. In addition, Corning offers products for the cable television industry, including coaxial connectors and associated tools.

Patent protection is important to the segment s operations. The segment has an extensive portfolio of patents relating to its products, technologies and manufacturing processes. The segment licenses certain of its patents to third parties and generates revenue from these licenses, although the royalty income is not currently material to this segment s operating results. Corning is licensed to use certain patents owned by others, which are considered important to the segment s operations. Refer to the material under the heading Patents and Trademarks for information relating to the Company s patents and trademarks.

The Telecommunications segment represented 26% of Corning s sales for 2011.

Environmental Technologies Segment

Corning s Environmental Technologies segment manufactures ceramic substrates and filter products for emissions control in mobile and stationary applications around the world. In the early 1970 s, Corning developed an economical, high-performance cellular ceramic substrate that is now the standard for catalytic converters in vehicles worldwide. As global emissions control regulations tighten, Corning has continued to develop more effective and durable ceramic substrate and filter products for gasoline and diesel applications. Corning manufactures substrate and filter products in New York, Virginia, China, Germany and South Africa. Corning sells its ceramic substrate and filter products worldwide to manufacturers of emission control systems who then sell to automotive and diesel vehicle or engine manufacturers. Although most sales are made to the emission control systems manufacturers, the use of Corning substrates and filters is generally required by the specifications of the automotive and diesel vehicle or engine manufacturers.

Patent protection is important to the segment s operations. The segment has an extensive portfolio of patents relating to its products, technologies and manufacturing processes. Corning is licensed to use certain patents owned by others, which are considered important to the segment s operations. Refer to the material under the heading Patents and Trademarks for information relating to the Company s patents and trademarks.

The Environmental Technologies segment represented 13% of Corning s sales for 2011.

Specialty Materials Segment

The Specialty Materials segment manufactures products that provide more than 150 material formulations for glass, glass ceramics and fluoride crystals to meet demand for unique customer needs. Consequently, this segment operates in a wide variety of commercial and industrial markets that include display optics and components, semiconductor optics components, aerospace and defense, astronomy, ophthalmic products, telecommunications components and protective cover glass that is optimized for portable display devices and televisions. Semiconductor optics manufactured by Corning includes high-performance optical material products, optical-based metrology instruments, and optical assemblies for applications in the global semiconductor industry. Corning s semiconductor optics products are manufactured in New York. Our protective cover glass, known as Corning® Gorilla® Glass, is an environmentally friendly thin sheet glass designed specifically to function as a protective cover glass for display devices such as tablets, notebook PCs, televisions and mobile phones. Elegant and lightweight, Corning Gorilla Glass is durable enough to resist many real-world events that commonly cause glass failure, enabling exciting new applications in technology and design. Early in 2012, Corning introduced Corning® Gorilla® Glass 2, the next generation in our Corning Gorilla Glass suite of products. Corning Gorilla Glass 2 enables up to a 20% reduction in glass thickness, while maintaining the industry-leading damage resistance, toughness and scratch-resistance. Corning Gorilla Glass is manufactured in Kentucky, Japan and Taiwan. Other specialty glass products include glass lens and window components and assemblies and are made in New York, New Hampshire, Kentucky and France or sourced from China.

The Specialty Materials segment represented approximately 14% of Corning s sales for 2011.

Life Sciences Segment

As a leading developer, manufacturer and global supplier of scientific laboratory products for more than 90 years, Corning s Life Sciences segment collaborates with researchers seeking new approaches to increase efficiencies, reduce costs and compress timelines in the drug discovery process. Using unique expertise in the fields of materials science, surface science, optics, biochemistry and biology, the segment provides innovative solutions that improve productivity and enable breakthrough discoveries.

Life Sciences laboratory products include general labware and equipment as well as tools and reagents for cell culture and bioprocess, genomics and proteomics, and high-throughput screening. Corning manufactures these products in Maine, New York, New Jersey, California, Utah, Mexico, Virginia, France, Poland, and China. The products are marketed worldwide, primarily through distributors, to pharmaceutical and biotechnology companies, academic institutions, hospitals, government entities, and other research facilities. In addition to being a global leader in consumable glass and plastic laboratory tools for life science research, Corning continues to be a leader with the development and production of unique technologies such as the Corning® Epic® systems for high throughput screening, the Corning® HYPERFlask® Cell Culture Vessel for increased cell yields, novel surfaces, such as the Corning® CellBIND® Surface, the Corning® Osteo-Assay surface, and the Corning® Synthemax Surface, and, through a small acquisition completed in the fourth quarter of 2011, the cellgro® brand, which includes high-quality cell culture media and molecular biology reagents related to tissue and cell culture applications.

In September 2009, Corning acquired Axygen BioScience, Inc. and its subsidiaries (Axygen). Axygen is a leading manufacturer and distributor of high quality plastic consumables, liquid handling products and bench-top laboratory equipment. The acquisition of Axygen, which was integrated into Corning s Life Sciences segment, supports Corning s strategy to expand its portfolio of life sciences products and enhance global customer access in this business. In addition to its existing Corning, Costar and Pyrex brands, Corning now sells life science products under the Axygen, Sorenson BioScience, Labnet, HTL, Gosselin, ALP and cellgro® brands.

Patent protection is important to the segment s operations. The segment has a growing portfolio of patents relating to its products, technologies and manufacturing processes. Brand recognition, through some well known trademarks, is important to the segment. Refer to the material under the heading Patents and Trademarks for information relating to the Company s patents and trademarks.

The Life Sciences segment represented approximately 8% of Corning s sales for 2011.

All Other

Other products primarily include development projects and new product lines, certain corporate investments, Samsung Corning Precision s non-LCD business, Corning s Eurokera and Keraglass equity affiliates with Saint Gobain Vitrage S.A. of France, which manufacture smooth cooktop glass/ceramic products, and Corsam, an equity affiliate established between Corning and Samsung Corning Precision to provide glass technology research. Development projects and new product lines involve the use of various technologies for new products such as advanced flow reactors, thin-film photovoltaics and adjacency businesses in pursuit of thin, strong glass applications.

All Other products represented less than 1% of Corning s sales for 2011.

Additional explanation regarding Corning and its five reportable segments is presented in Management s Discussion and Analysis of Financial Condition under Operating Review and Results of Operations and Note 20 (Reportable Segments) to the Consolidated Financial Statements.

Corporate Investments

Corning and The Dow Chemical Company (Dow Chemical) each own half of Dow Corning Corporation (Dow Corning), an equity company headquartered in Michigan that manufactures silicone products worldwide. Dow Corning is a leader in silicon-based technology and innovation, offering more than 7,000 products and services. Dow Corning is the majority-owner of Hemlock Semiconductor Group, a market leader in the production of high purity polycrystalline silicon for the semiconductor and solar energy industries. Dow Corning s sales were $6.4 billion in 2011. Additional discussion about Dow Corning appears in the Legal Proceedings section. Dow Corning s financial statements are attached in Item 15, Exhibits and Financial Statement Schedules.

Corning and PPG Industries, Inc. each own half of Pittsburgh Corning Corporation (PCC), an equity company in Pennsylvania that manufactures glass products for architectural and industrial uses. PCC filed for Chapter 11 bankruptcy reorganization in April 2000. Corning also owns half of Pittsburgh Corning Europe N.V. (PCE), a Belgian corporation that manufactures glass products for industrial uses primarily in Europe. Additional discussion about PCC and PCE appears in the Legal Proceedings section.

Additional information about corporate investments is presented in Note 7 (Investments) to the Consolidated Financial Statements.

Competition

Corning competes across all of its product lines with many large and varied manufacturers, both domestic and foreign. Some of these competitors are larger than Corning, and some have broader product lines. Corning strives to maintain and improve its market position through technology and product innovation. For the future, Corning believes its competitive advantage lies in its commitment to research and development, and its commitment to quality. There is no assurance that Corning will be able to maintain or improve its market position or competitive advantage.

Display Technologies Segment

Corning, including Samsung Corning Precision, is the largest worldwide producer of glass substrates for active matrix LCD displays. Corning believes it has sustained its competitive advantages in LCD glass substrate products by investing in new products, such as Corning Lotus glass, providing a consistent and reliable supply and using its proprietary fusion manufacturing process. This process allows us to deliver glass that is larger, thinner and lighter, with exceptional surface quality and without heavy metals. Asahi Glass, Nippon Electric Glass and Avan Strate, Inc. are Corning s principal competitors in display glass substrates.

Telecommunications Segment

Competition within the telecommunications equipment industry is intense among several significant companies. Corning is a leading competitor in the segment s principal product lines, which include optical fiber and cable, and hardware and equipment. The competitive landscape includes industry consolidation, price pressure and competition for the innovation of new products. These competitive conditions are likely to persist.

Corning believes its large scale manufacturing experience, fiber process, technology leadership and intellectual property assets yield cost advantages relative to several of its competitors. The primary competing producers of optical fiber and cable products are Furukawa Electric/OFS, Fujikura Ltd., Sumitomo Electric and Prysmian Group.

For hardware and equipment products, significant competitors are 3M Company (3M), TE Connectivity, Furukawa OFS and CommScope.

Environmental Technologies Segment

For worldwide automotive ceramic substrate products, Corning has a leading market position that has remained relatively stable over the past year. Corning has also established a strong presence in the heavy duty and light duty diesel vehicle market and believes its competitive advantage in automotive ceramic substrate products for catalytic converters and diesel filter products for exhaust systems is based upon global presence, customer service, engineering design services and product innovation. Corning s Environmental Technologies products face principal competition from NGK, Denso, and Ibiden.

Specialty Materials Segment

Corning is one of very few manufacturers with deep capabilities in materials science, optical design, shaping, coating, finishing, metrology, and system assembly. Additionally, we are addressing emerging needs of the consumer electronics industry with the development of chemically strengthened glass. Corning s Gorilla Glass is an environmentally friendly thin-sheet glass that is better able to survive events that most commonly cause glass failure. Its advanced composition allows a deeper layer of chemical strengthening than is possible with most other chemically strengthened glasses, making it both durable and damage resistant. Our products and capabilities in this segment position the Company to meet the needs of a broad array of markets including aerospace/defense, display, semiconductor, astronomy, vision care, industrial/commercial, and telecommunications. For this segment, Schott, Shin-Etsu Quartz Products, Asahi Fine Glass, Carl Zeiss, Nikon, NEG, Transitions Optical, Oerlikon, Hoya and Heraeus are the main competitors.

Life Sciences Segment

Corning is a leading supplier of glass and plastic laboratory products, with a growing plastics products market presence in North America and Europe, and a solid laboratory glass products market presence. Corning seeks to maintain competitive advantages by emphasizing product quality, product availability, supply chain efficiency, a wide product line and superior product attributes. For laboratory products, Greiner, Becton Dickinson, Kimble-Chase, and Duran are the principal worldwide competitors. Corning also faces increasing competition from two large distributors that have pursued backward integration or introduced private label products.

Raw Materials

Corning s production of specialty glasses, ceramics, and related materials requires significant quantities of energy, uninterrupted power sources, certain precious metals, and various batch materials.

Although energy shortages have not been a problem recently, the cost of energy remains volatile. Corning has achieved flexibility through engineering changes to take advantage of low-cost energy sources in most significant processes. Specifically, many of Corning s principal manufacturing processes can be operated with natural gas, propane, oil or electricity, or a combination of these energy sources.

Availability of resources (ores, minerals, polymers, and processed chemicals) required in manufacturing operations, appears to be adequate. Corning s suppliers, from time to time, may experience capacity limitations in their own operations, or may eliminate certain product lines. Corning believes it has adequate programs to ensure a reliable supply of batch materials and precious metals. For many products, Corning has alternate glass compositions that would allow operations to continue without interruption in the event of specific materials shortages.

Certain key materials and proprietary equipment used in the manufacturing of products are currently sole-sourced or available only from a limited number of suppliers. Any future difficulty in obtaining sufficient and timely delivery of components could result in lost sales due to delays or reductions in product shipments, or reductions in Corning s gross margins.

Patents and Trademarks

Inventions by members of Corning s research and engineering staff have been, and continue to be, important to the Company s growth. Patents have been granted on many of these inventions in the United States and other countries. Some of these patents have been licensed to other manufacturers, including companies in which Corning has equity investments. Many of our earlier patents have now expired, but Corning continues to seek and obtain patents protecting its innovations. In 2011, Corning was granted over 250 patents in the U.S. and over 500 patents in countries outside the U.S.

Each business segment possesses a patent portfolio that provides certain competitive advantages in protecting Corning s innovations. Corning has historically enforced, and will continue to enforce, its intellectual property rights. At the end of 2011, Corning and its wholly-owned subsidiaries owned over 4,750 unexpired patents in various countries of which about 2,500 were U.S. patents. Between 2012 and 2014, approximately 8% of these patents will expire, while at the same time Corning intends to seek patents protecting its newer innovations. Worldwide, Corning has over 7,400 patent applications in process, with about 1,700 in process in the U.S. Corning believes that its patent portfolio will continue to provide a competitive advantage in protecting Corning s innovation, although Corning s competitors in each of its businesses are actively seeking patent protection as well.

The Display Technologies segment has over 500 patents in various countries, of which over 190 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include patents relating to glass compositions and methods for the use and manufacture of glass substrates for display applications. There is no group of important Display Technology segment patents set to expire between 2012 and 2014.

The Telecommunications segment has over 1,900 patents in various countries, of which over 900 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include: (i) patents relating to optical fiber products including dispersion compensating fiber, low loss optical fiber and high data rate optical fiber and processes and equipment for manufacturing optical fiber, including methods for making optical fiber preforms and methods for drawing, cooling and winding optical fiber; (ii) patents relating to optical fiber ribbons and methods for making such ribbon, fiber optic cable designs and methods for installing optical fiber cable; and (iii) patents relating to optical fiber connectors, termination and storage and associated methods of manufacture. A few patents relating to optical fiber manufacturing and dispersion compensating fiber will expire between 2012 and 2014.

The Environmental Technologies segment has over 400 patents in various countries of which over 200 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include patents relating to cellular ceramic honeycomb products, together with ceramic batch and binder system compositions, honeycomb extrusion and firing processes, and honeycomb extrusion dies and equipment for the high-volume, low-cost manufacture of such products. There is no group of important Environmental Technologies patents set to expire between 2012 and 2014.

The Specialty Materials segment has about 500 patents in various countries of which over 275 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include patents relating to protective cover glass, ophthalmics glasses and polarizing dies, and semiconductor/microlithography optics and blanks, metrology instrumentation and laser/precision optics, glass polarizers, specialty fiber, and refractories. There is no group of important Specialty Materials patents set to expire between 2012 and 2014.

The Life Sciences segment has over 220 patents in various countries of which over 100 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include patents relating to methods and apparatus for the manufacture and use of scientific laboratory equipment including nucleic acid arrays, multiwell plates, and cell culture products as well as equipment and processes for label independent drug discovery. There is no group of important Life Sciences patents set to expire between 2012 and 2014.

Products reported in All Other include development projects, new product lines, and other businesses or investments that do not meet the threshold for separate reporting.

Many of the Company s patents are used in operations or are licensed for use by others, and Corning is licensed to use patents owned by others. Corning has entered into cross licensing arrangements with some major competitors, but the scope of such licenses has been limited to specific product areas or technologies.

Corning s principal trademarks include the following: Axygen, Corning, Celcor, DuraTrap, Eagle XG, Epic, Evolant, HPFS, Lanscape, Pretium, Pyrex, ClearCurve, Steuben, SMF-28e, and Gorilla.

Protection of the Environment

Corning has a program to ensure that its facilities are in compliance with state, federal and foreign pollution-control regulations. This program has resulted in capital and operating expenditures during the past several years. In order to maintain compliance with such regulations, capital expenditures for pollution control in continuing operations were approximately $14 million in 2011 and are estimated to be $9 million in 2012.

Corning s 2011 consolidated operating results were charged with approximately $39 million for depreciation, maintenance, waste disposal and other operating expenses associated with pollution control. Corning believes that its compliance program will not place it at a competitive disadvantage.

Employees

At December 31, 2011, Corning had approximately 28,800 full-time employees, including approximately 11,500 employees in the United States. From time to time, Corning also retains consultants, independent contractors, temporary and part-time workers. Unions are certified as bargaining agents for approximately 27% of Corning s United States employees.

Executive Officers of the Registrant

Wendell P. Weeks *Chairman, Chief Executive Officer and President*

Mr. Weeks joined Corning in 1983 and was named a vice president and deputy general manager of the Telecommunications Products division in 1995, vice president and general manager in 1996, senior vice president in 1997, senior vice president of Opto-Electronics in 1998, executive vice president in 1999, president, Corning Optical Communications in 2001, president and chief operating officer of Corning in 2002, and president and chief executive officer in 2005. Mr. Weeks became chairman and chief executive officer on April 26, 2007, and president on December 31, 2010. Mr. Weeks is a director of Merck & Co. Inc. Mr. Weeks has been a member of Corning s Board of Directors since 2000. Age 52.

James B. Flaws *Vice Chairman and Chief Financial Officer*

Mr. Flaws joined Corning in 1973 and served in a variety of controller and business management positions. Mr. Flaws was elected assistant treasurer of Corning in 1993, vice president and controller in 1997 and vice president of finance and treasurer in May 1997, senior vice president and chief financial officer in December 1997, executive vice president and chief financial officer in 1999 and to his current position in 2002. Mr. Flaws is a director of Dow Corning Corporation. Mr. Flaws has been a member of Corning s Board of Directors since 2000. Age 63.

Kirk P. Gregg *Executive Vice President and Chief Administrative Officer*

Mr. Gregg joined Corning in 1993 as director of Executive Compensation. He was named vice president of Executive Resources and Employee Benefits in 1994, senior vice president, Administration in December 1997 and to his current position in 2002. He is responsible for Human Resources, Information Technology, Procurement and Transportation, Aviation, Community Affairs, Government Affairs, Business Services and Corporate Security. Prior to joining Corning, Mr. Gregg was with General Dynamics Corporation as corporate director, Key Management Programs, and was responsible for executive compensation and benefits, executive development and recruiting. Age 52.

Lawrence D. McRae *Executive Vice President, Strategy and Corporate Development*

Mr. McRae joined Corning in 1985 and served in various financial, sales and marketing positions. He was elected vice president Corporate Development in 2000, senior vice president Corporate Development in 2003, and senior vice president Strategy and Corporate Development in October 2005. He was elected to his present position in October 2010. Mr. McRae is on the board of directors of Dow Corning Corporation, and Samsung Corning Precision Materials Co., Ltd. Age 53.

Joseph A. Miller *Executive Vice President and Chief Technology Officer*

Dr. Miller joined Corning in 2001 as senior vice president and chief technology officer. He was elected to his current position in 2002. Prior to joining Corning, Dr. Miller was with E.I. DuPont de Nemours, Inc., where he served as chief technology officer and senior vice president for research and development since 1994. He began his career with DuPont in 1966. Dr. Miller is a director of Greatbatch, Inc. and Dow Corning Corporation. Age 70.

Jeffrey Evenson *Senior Vice President and Operations Chief of Staff*

Dr. Evenson joined Corning in June 2011 and was elected to his current position at that time. He serves on the Management Committee and oversees a variety of strategic programs and growth initiatives. Prior to joining Corning, Dr. Evenson was a senior vice president with Sanford C. Bernstein, where he served as a senior analyst since 2004. Before that, Dr. Evenson was a partner at McKinsey & Company, where he led technology and market assessment for early-stage technologies. Age 46.

R. Tony Tripeny *Senior Vice President, Corporate Controller and Principal Accounting Officer*

Mr. Tripeny joined Corning in 1985 as the corporate accounting manager of Corning Cable Systems, and became the Keller facility s plant controller in 1989. In 1993, he was appointed equipment division controller of Corning Cable Systems and, in 1996 corporate controller. Mr. Tripeny was appointed chief financial officer of Corning Cable Systems in July 2000. In 2003, he took on the additional role of group controller, Telecommunications, Corning Incorporated. He was appointed division vice president, operations controller in August 2004, and vice president, corporate controller in October 2005. Mr. Tripeny was elected to his current position in April 2009. Age 52.

Vincent P. Hatton *Senior Vice President and General Counsel*

Mr. Hatton joined Corning in 1981 as an assistant corporate counsel and became a division counsel in 1984. Mr. Hatton was named assistant general counsel, Specialty Materials in May 1993, and director of the Legal Department in 1995. Mr. Hatton was elected vice president in 1998 and senior vice president in 2003. Mr. Hatton was elected to his current position on March 1, 2007. Age 61.

Document Availability

A copy of Corning s 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available upon written request to Ms. Denise A. Hauselt, Vice President, Secretary and Assistant General Counsel, Corning Incorporated, HQ-E2-10, Corning, NY 14831. The Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934 and other filings are available as soon as reasonably practicable after such material is electronically filed or furnished to the SEC, and can be accessed electronically free of charge, through the Investor Relations line on Corning s web site at www.corning.com. The information contained on the Company s website is not included in, or incorporated by reference into, this Annual Report on Form 10-K.

Other

Additional information in response to Item 1 is found in Note 20 (Reportable Segments) to the Consolidated Financial Statements and in Item 6 (Selected Financial Data).

Item 1A. Risk Factors

Set forth below are some of the principal risks and uncertainties that could cause our actual business results to differ materially from any forward-looking statements contained in this Annual Report or otherwise have a detrimental affect on the Company. These risks should be considered in making any investment decisions in Corning. Future results could be affected materially by general industry and market conditions, changes in laws or accounting rules, general economic and political conditions, including a global economic slowdown, fluctuation of interest rates or currency exchange rates, terrorism, political unrest or international conflicts, political instability or major health concerns, natural disasters or other disruptions of expected business conditions. These risk factors should be considered in addition to our cautionary comments concerning forward-looking statements in this Annual Report. Other risks not described above, or unknown to us, may also adversely affect Corning or its results.

We operate a global business in over 100 countries that exposes both our consolidated operations and our equity method investments to additional risks. These include, but are not limited to, the following:

- Reduced consumer demand for the products our customers manufacture, notably automobiles and heavy duty trucks, LCD televisions and notebook computers resulting in lower demand for the products we sell.
- Increased competition resulting in lower sales, net income and cash flow.
- Deterioration in the financial condition of our customers resulting in reduced sales, an inability to collect receivables, payment delays or potentially their bankruptcy or insolvency.
- Increased risk of insolvency of financial institutions, which may limit Corning s liquidity in the future or adversely affect its ability to use its revolving credit facility, or result in losses from hedged transactions or from counterparty risk on various financial transactions.
- Increased turmoil in the financial markets may limit Corning s, its customers or its suppliers ability to access the capital markets or may result in terms and conditions for such access that are more restrictive and costly than in the past.
- Declines in our businesses that could result in material charges for restructuring or asset impairments.
- Increased risk that financial investments by our customers, suppliers or equity companies may not achieve historical levels of liquidity.
- Operations outside the U.S. are subject to many complex regulatory requirements affecting international trade and investment, including antidumping laws, export controls, the Foreign Corrupt Practices Act and local laws prohibiting corrupt payments. Our operations may be adversely affected by changes in the substance or enforcement of these regulatory requirements, and by actual or alleged violations of them.
- Emerging markets are a focus of our international growth strategy. The developing nature of these markets presents a number of risks, such as deterioration of social, political, labor or economic conditions in a specific country or region and difficulties in staffing and managing foreign operations may also adversely affect our operations or financial results.
- Although we hedge a portion of our currency exposures, significant fluctuations in exchange rates may adversely affect our sales, net income and cash flow.
- Increased sovereign risks in various countries may affect Corning s operations, expenses or assets in those countries.

Our sales could be negatively impacted by the actions or circumstances of one or more key customers leading to the substantial reduction in orders for our products

In 2011, Corning s ten largest customers accounted for 51% of our sales.

In addition, a relatively small number of customers accounted for a high percentage of net sales in our reportable segments. For 2011, four customers of the Display Technologies segment accounted for 77% of total segment net sales when combined. In the Telecommunications segment, one customer accounted for 12% of segment net sales. In the Environmental Technologies segment, three customers accounted for 85% of total segment sales in aggregate. In the Specialty Materials segment, two customers accounted for 42% of segment sales in 2011. In the Life Sciences segment, two distributors accounted for 39% of segment sales in 2011. As a result of mergers and consolidations between customers, Corning s customer base could become more concentrated.

Samsung Corning Precision s sales were also concentrated in 2011, with sales to two LCD panel makers located in South Korea accounting for approximately 93% of total Samsung Corning Precision sales.

Any positive trends in the sales of LCD glass substrates in previous years may not continue. Our customers are LCD panel and color filter makers. Additionally, consumer preferences for panels of differing sizes, designs, price, or other seasonal factors, may lead to pauses in market growth from time to time. Our customers may not be able to maintain their profitability or access sufficient capital to fund routine maintenance and operations or planned expansions which may limit their pace of orders to us. Emerging material technologies could replace our glass substrates for certain applications resulting in a decline in demand for our LCD products. Existing or new production capacity for glass substrates may exceed the demand for them. Technologies for displays in competition with LCD panels may reduce or eliminate the need for our glass substrates. These technologies may include organic light emitting diodes and plasma display panels. New process technologies developed by our competitors may also place us at a cost or quality disadvantage. Our own process technologies may be acquired or used unlawfully by others, enabling them to compete with us. Our inability to manufacture glass substrates in the sizes and quantities needed by our customers may result in loss of revenue, margins and profits or liabilities for failure to supply. A scarcity of resources, limitations on technology, personnel or other factors resulting in a failure to produce commercial quantities of very large-size glass substrates could have adverse financial consequences to us.

Our Telecommunications segment customers purchases of our products are affected by their capital expansion plans, general market and economic uncertainty and regulatory changes, including broadband policy. Sales in the Telecommunications segment are expected to be impacted by the pace of fiber-to-the-premises deployments by our customers such as Bell Canada, Bell Aliant, NBN Co., and Verizon Communications Inc. Our sales will be dependent on planned targets for homes passed and connected. Changes in our customers deployment plans could adversely affect future sales in any quarter or for the full year.

In the Environmental Technologies segment, sales of our ceramic substrate and filter products for automotive and diesel emissions are expected to fluctuate with vehicle production. Changes in laws and regulations for air quality and emission controls may also influence future sales. Sales in our Environmental Technologies segment are mainly to three catalyzers and emission system control manufacturers. Our customers sell these systems to automobile and diesel engine original equipment manufacturers. Sales in this segment may be affected by adverse developments in the global vehicle or freight hauling industries or by such factors as higher fuel prices that may affect vehicle sales or downturns in freight traffic.

Certain sales in our Specialty Materials segment track worldwide economic cycles and our customers responses to that cycle. In addition, any positive trends in prior years in the sales of strengthened glass for personal handheld devices and LCD television cover glass may not continue. We may experience losses relating to our inability to supply contracted quantities of this glass and processes planned to produce new versions of this glass may not be successful.

Sales in our Life Sciences segment are through two large distributors, and the remaining balance is to a variety of government entities, pharmaceutical and biotechnology companies, hospitals, universities and other research facilities. In 2011, our two largest distributors accounted for 39% of Life Sciences segment sales. Changes in our distribution arrangements in this segment may adversely affect this segment s financial results.

If the markets for our products do not develop and expand as we anticipate, demand for our products may decline, which would negatively impact our operations and financial performance

The markets for our products are characterized by rapidly changing technologies, evolving industry or government standards and new product introductions. Our success is expected to depend, in substantial part, on the successful introduction of new products, or upgrades of current products, and our ability to compete with new technologies. The following factors related to our products and markets, if they do not continue as in the recent past, could have an adverse impact on our operations:

- our ability to introduce leading products such as glass substrates for liquid crystal displays, optical fiber and cable and hardware and equipment, and environmental substrate and filter products at competitive prices;
- our ability to manufacture adequate quantities of increasingly larger glass substrates and strengthened glass for handheld devices, to satisfy our customers technical requirements and our contractual obligations;
- strong demand for notebook computers and LCD monitors;
- growth in purchases of LCD televisions to replace other technologies;
- screen size of LCD televisions, which affects glass demand;
- our ability to develop new products in response to government regulations and laws, particularly diesel filter products in the Environmental Technologies segment;
- growth of the fiber-to-the-premises build-out in North America, western Europe and Australia; and
- growth in emerging markets in other geographic regions such as Brazil, Russia, India and China.

We face pricing pressures in each of our leading businesses that could adversely affect our financial performance

We face pricing pressure in each of our leading businesses as a result of intense competition, emerging new technologies, or over-capacity. While we work consistently toward reducing our costs to offset pricing pressures, we may not be able to achieve proportionate reductions in costs or sustain our current rate of cost reduction. We anticipate pricing pressures will continue in the future in all our businesses.

We face risks related to our international operations and sales

We have customers and significant operations, including manufacturing and sales, located outside the U.S. We have large manufacturing operations for liquid crystal display glass substrates in Taiwan, China, Japan and Korea, including an equity investment in Samsung Corning Precision operating in South Korea that makes glass substrates for the Korean LCD market. All of our Display segment customers are located in the Asia-Pacific region. As a result of these and other international operations, we face a number of risks, including:

- geographical concentration of our factories and operations and regional shifts in our customer base;
- periodic health epidemic concerns;
- complexity of managing global operations;
- difficulty in protecting intellectual property or sensitive commercial and operations data or information technology systems generally;
- tariffs, duties and other trade barriers including anti-dumping duties;
- differing legal systems, including protection and treatment of intellectual property and patents;
- natural disasters such as floods and earthquakes; and
- potential power disruption or loss affecting glass production and possibly causing equipment damage.

Any of these items could cause our sales or profitability to be significantly reduced.

Additionally, a significant amount of the specialized manufacturing capacity for our Display Technologies segment is concentrated in three overseas countries and it is reasonably possible that the operations of one or more such facilities could be disrupted. Due to the specialized nature of the assets and the customers   locations, it may not be possible to find replacement capacity quickly or substitute production from facilities in other countries. Accordingly, loss of these facilities could produce a near-term severe impact on our Display business and the Company as a whole.

We face risks due to foreign currency fluctuations

Because we have significant customers and operations outside the U.S., fluctuations in foreign currencies, especially the Japanese yen, New Taiwan dollar, Korean won, and Euro, affect our sales and profit levels. Foreign exchange rates may make our products less competitive in countries where local currencies decline in value relative to the U.S. dollar and Japanese yen. Sales in our Display Technologies segment, representing 40% of Corning   s sales in 2011, are denominated in Japanese yen. If sales grow in our Display Technologies segment, our exposure to currency fluctuations will increase. Corning hedges significant transaction and balance sheet currency exposures and uses derivative instruments to limit exposure to foreign currency fluctuations associated with certain monetary assets and liabilities as well as operating results. Although we selectively hedge these items, changes in exchange rates (especially the Japanese yen to U.S. dollar) will significantly impact our reported revenues and profits.

If the financial condition of our customers declines, our credit risks could increase

Although we have a rigorous process to administer credit and believe our allowance is adequate, we have experienced, and in the future may experience, losses as a result of our inability to collect our accounts receivable. If our customers or our indirect customers fail to meet their payment obligations for our products, we could experience reduced cash flows and losses in excess of amounts reserved. Many customers of our Display Technologies and Specialty Materials segments are thinly capitalized and/or marginally profitable. In our Environmental Technologies segment, the U.S. auto makers and certain of their suppliers have encountered credit downgrades or have filed for bankruptcy protection. These factors may result in an inability to collect receivables or a possible loss in business.

If we do not successfully adjust our manufacturing volumes and cost structure, or achieve manufacturing yields or sufficient product reliability, our operating results and cash flow could suffer, and we may not achieve anticipated profitability levels

Investments in additional manufacturing capacity of certain businesses, including liquid crystal display glass and diesel emission substrates and filters present challenges. We may face technical and process issues in moving to commercial production and there can be no assurance that Corning will be able to pace its capacity expansion to the actual demand. Economic results may adversely affect our ability to complete planned capacity expansion and products. It is possible that manufacturing capacity may exceed or lag customer demand during certain periods.

The manufacturing of our products involves highly complex and precise processes, requiring production in highly controlled and dust-free environments. Changes in our manufacturing processes could significantly reduce our manufacturing yields and product reliability. In some cases, existing manufacturing may be insufficient to achieve the requirements of our customers. We will need to develop new manufacturing processes and techniques to achieve targeted volume, pricing and cost levels that will permit profitable operations. While we continue to fund projects to improve our manufacturing techniques and processes, we may not achieve satisfactory cost levels in our manufacturing activities that will fully satisfy our profitability targets.

Our future financial performance depends on our ability to purchase a sufficient amount of materials, precious metals, parts, and manufacturing equipment components to meet the demands of our customers

Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of materials, precious metals, parts and components from our suppliers. We may experience shortages that could adversely affect our operations. Although we work closely with our suppliers to avoid shortages, there can be no assurances that we will not encounter these problems in the future. Furthermore, certain manufacturing equipment, raw materials or components are available only from a single source or limited sources. We may not be able to find alternate sources in a timely manner. A reduction, interruption or delay of supply, or a significant increase in the price for supplies, such as manufacturing equipment, precious metals, raw materials or energy, could have a material adverse effect on our businesses.

We have incurred, and may in the future incur, restructuring and other charges, the amounts of which are difficult to predict accurately

We have recorded several charges for restructuring, impairment of assets, and the write-off of cost and equity-based investments in the past. In 2011, we recorded a charge for the impairment of certain assets. Certain of our equity affiliates have also recorded restructuring charges. We and our affiliates may have additional actions that result in restructuring charges in the future.

We have incurred, and may in the future incur, goodwill and other intangible asset impairment charges

At December 31, 2011, Corning had goodwill and other intangible assets of $926 million. While we believe the estimates and judgments about future cash flows used in the goodwill impairment tests are reasonable, we cannot provide assurance that future impairment charges will not be required if the expected cash flow estimates as projected by management do not occur, especially if an economic recession occurs and continues for a lengthy period or becomes severe, or if acquisitions and investments made by the Company fail to achieve expected returns.

If our products, including materials purchased from our suppliers, experience performance issues, our business will suffer

Our business depends on the production of products of consistently high quality. Our products, components and materials purchased from our suppliers, are typically tested for quality. These testing procedures are limited to evaluating our products under likely and foreseeable failure scenarios. For various reasons, our products, including materials purchased from our suppliers, may fail to perform as a customer expected. In some cases, product redesigns or additional expense may be required to address such an issue. A significant or systemic product quality issue could result in customer relations problems, lost sales, and financial damages.

We face competition in most of our businesses

We expect that we will face continuous competition from existing competitors, low cost manufacturers and new entrants. We must invest in research and development, expand our engineering, manufacturing and marketing capabilities, and continue to improve customer service and support in order to remain competitive. We cannot provide assurance that we will be able to maintain or improve our competitive position.

We may have additional tax liabilities

We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We regularly are under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our financial statements in the period or periods for which that determination is made.

We earn a significant amount of our operating income from outside the U.S., and any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates for the company. In addition, there have been proposals to change U.S. tax laws that would significantly impact how U.S. multinational corporations are taxed on foreign earnings. Although we cannot predict whether or in what form this proposed legislation may pass, if enacted it could have a material adverse impact on our tax expense and cash flow.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations

Our effective tax rate could be adversely impacted by several factors, some of which are outside of our control, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax treaties and regulations and the interpretation of them;
- changes to our assessments about the realizability of our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic environments in which we do business;
- the outcome of current and future tax audits, examinations, or administrative appeals;
- changes in generally accepted accounting principles that affect the accounting for taxes; and
- limitations or adverse findings regarding our ability to do business in some jurisdictions.

In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Significant judgment is required in determining our worldwide provision for income taxes. Although we believe our tax estimates are reasonable, the final determination could be materially different from our historical tax provisions and accruals.

Accounting and disclosure rules may affect financial results

Generally accepted accounting principles and accompanying accounting pronouncements, implementation guidelines, and interpretations for many areas of our business, such as revenue recognition, accounting for investments, fair value estimates and accounting for stock options, are very complex and involve significant and sometimes subjective judgments. Changes in these rules or their interpretation could significantly impact our reported earnings and operating income and could add significant volatility to those measures in the future, without a corresponding change in our cash flows.

Our business depends on our ability to attract and retain talented employees

The market for highly skilled workers and leaders in our industry is extremely competitive. We are limited in our ability to recruit internationally by restrictive domestic immigration laws. If we are less successful in our recruiting efforts, or if we are unable to retain key employees, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. The loss of the services of any of our key research and development, engineering or operational personnel or senior management without adequate replacement, or the inability to attract new qualified personnel, could have a material adverse effect on our operations and financial performance.

We are subject to strict environmental regulations and regulatory changes that could result in fines or restrictions that interrupt our operations

Various stages of our manufacturing processes generate chemical waste, waste water and other industrial waste and green-house gases, and we are subject to numerous laws and regulations relating to the use, storage, discharge and disposal of such substances. We have installed anti-pollution equipment for the treatment of chemical waste and waste water at our facilities. We have taken steps to control the amount of greenhouse gases created by our manufacturing operations. However, we cannot provide assurance that environmental claims will not be brought against us or that government regulators will not take steps toward adopting more stringent environment standards.

Any failure on our part to comply with any present or future environmental regulations could result in the assessment of damages or imposition of fines against us, or the suspension/cessation of production or operations. In addition, environmental regulations could require us to acquire costly equipment, incur other significant compliance expenses or limit or restrict production or operations and thus materially and negatively affect our financial condition and results of operations.

Changes in regulations and the regulatory environment in the U.S. and other countries, such as those resulting from the regulation and impact of global warming and CO_2 abatement, may affect our businesses and their results in adverse ways by, among other things, substantially increasing manufacturing costs, limiting availability of scarce resources, especially energy, or requiring limitations on production and sale of our products or those of our customers.

We may experience difficulties in enforcing our intellectual property rights and we may be subject to claims of infringement of the intellectual property rights of others

We may encounter difficulties in protecting our intellectual property rights or obtaining rights to additional intellectual property necessary to permit us to continue or expand our businesses. We cannot assure you that the patents that we hold or may obtain will provide meaningful protection against our competitors. Changes in or enforcement of laws concerning intellectual property, worldwide, may affect our ability to prevent or address the misappropriation of, or the unauthorized use of, our intellectual property. Litigation may be necessary to enforce our intellectual property rights. Litigation is inherently uncertain and the outcome is often unpredictable. Other companies hold patents on technologies used in our industries and are aggressively seeking to expand, enforce and license their patent portfolios.

The intellectual property rights of others could inhibit our ability to introduce new products. We are, and may in the future be, subject to claims of intellectual property infringement or misappropriation that may result in loss of revenue, require us to incur substantial costs, or lead to monetary damages or injunctive relief against us. We cannot assure you as to the outcome of any such claims.

Current or future litigation may harm our financial condition or results of operations

Pending, threatened or future litigation is subject to inherent uncertainties. Our financial condition or results of operations may be adversely affected by unfavorable outcomes, expenses and costs exceeding amounts estimated or insured. In particular, we have been named as a defendant in numerous lawsuits alleging personal injury from exposure to asbestos, and adverse rulings in such lawsuits or the inability to successfully resolve such matters may adversely affect the Company. As described in Legal Proceedings, an amended PCC Plan of Reorganization was filed with the Bankruptcy Court on January 29, 2009 proposing a resolution of PCC asbestos claims. It remains reasonably possible that changes to the amended PCC Plan may be negotiated, and the elements of the plan and its approval are subject to a number of contingencies before the resolution outlined in that Plan becomes final.

We face risks through our equity method investments in companies that we do not control

Corning s net income includes significant equity earnings from associated companies. For the year ended December 31, 2011, we recognized $1.5 billion of equity earnings, of which 98% came from our two largest investments: Dow Corning (which makes silicone and high purity polycrystalline products) and Samsung Corning Precision (which primarily makes liquid crystal display glass). Samsung Corning Precision is located in the Asia-Pacific region and is subject to political and geographic risks mentioned above, as well as business and other risks within the Display Technologies segment. Our equity investments may not continue to perform at the same levels as in recent years. In 2007, we recognized equity losses associated with Samsung Corning Co., Ltd. (a 50% equity method investment that made glass panels and funnels for conventional televisions), which recorded fixed asset and other impairment charges. Dow Corning emerged from Chapter 11 bankruptcy in 2004 and has certain obligations under its Plan of Reorganization to resolve and fund claims of its creditors and personal injury claimants. Dow Corning may incur further bankruptcy charges in the future, which may adversely affect its operations or assets.

We may not have adequate insurance coverage for claims against us

We face the risk of loss resulting from product liability, securities, fiduciary liability, intellectual property, antitrust, contractual, warranty, environmental, fraud and other lawsuits, whether or not such claims are valid. In addition, our product liability, fiduciary, directors and officers, property including business interruption, natural catastrophe and comprehensive general liability insurance may not be adequate to cover such claims or may not be available to the extent we expect in the future. Our insurance costs can be volatile and, at any time, can increase given changes in market supply and demand and our claim history. We may not be able to obtain adequate insurance coverage in the future at acceptable costs. A successful claim that exceeds or is not covered by our policies could require us to pay substantial sums. Some of the carriers in our historical primary and excess insurance programs are in liquidation and may not be able to respond if we should have claims reaching their policies. The financial health of other insurers may deteriorate. Several of our insurance carriers are litigating with us the extent, if any, of their obligation to provide insurance coverage for asbestos liabilities asserted against us. The results of that litigation may adversely affect our insurance coverage for those risks. In addition, we may not be able to obtain adequate insurance coverage for certain types of risk such as political risks, terrorism or war.

Our businesses may be subject to increased regulatory enforcement

Some of our reportable segments operate in industries with a concentrated number of competitors and customers, both foreign and domestic. While we have adopted a corporate-wide compliance program, we may become the subject of antitrust or other governmental investigations from many jurisdictions that may adversely impact our reputation or our ability to make and sell products in the future.

Acquisitions, joint ventures and strategic alliances may have an adverse effect on our business

We expect to continue making acquisitions and entering into joint ventures and strategic alliances as part of our long-term business strategy. These transactions involve significant challenges and risks including that the transaction does not advance our business strategy, that we don t realize a satisfactory return on our investment, or that we experience difficulty integrating new employees, business systems, and technology, or diversion of management s attention from our other businesses. It may take longer than expected to realize the full benefits, such as increased revenue, enhanced efficiencies, or market share, or those benefits may ultimately be smaller than anticipated, or may not be realized. These events could harm our operating results or financial condition.

Improper disclosure of personal data could result in liability and harm our reputation

We store and process personally identifiable information of our employees and, in some cases, our customers. At the same time, the continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to breaches of information security. This environment demands that we continuously improve our design and coordination of security controls across our business groups and geographies. Despite these efforts, it is possible our security controls over personal data, our training of employees and vendors on data security, and other practices we follow may not prevent the improper disclosure of personally identifiable information. Improper disclosure of this information could harm our reputation or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

Adverse economic conditions may adversely affect our investments

We maintain an investment portfolio of various holdings, types, and maturities. These investments are subject to general credit, liquidity, market, and interest rate risks, which may be exacerbated by unusual events that have affected global financial markets. A significant part of our investment portfolio consists of U.S. government securities. If global credit and equity markets experience prolonged periods of decline, or if the U.S. federal government budget process results in a default or downgrade of its debt, our investment portfolio may be adversely impacted and we could determine that more of our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely impact our financial results.

Security vulnerabilities could lead to reduced revenue, liability claims, or competitive harm

We use electronic information technology (IT) in our manufacturing processes and operations and other aspects of our business. Despite our implementation of security measures, our IT systems are vulnerable to disruptions from computer viruses, natural disasters, unauthorized access, cyber attack and other similar disruptions. A material breach in the security of our IT systems could include the theft of our intellectual property or trade secrets. To the extent that any disruptions or security breaches result in the theft, unauthorized use or publication of our intellectual property and/or confidential business information, it could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives, or otherwise adversely affect our business.

Additionally, utilities and other operators of critical energy infrastructure that serve our facilities may face heightened security risks, including cyber attacks. In the event of such an attack, disruption in service from our utility providers could disrupt our manufacturing operations which rely on a continuous source of power (electrical, gas, etc).

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We operate over 80 manufacturing plants and processing facilities, of which approximately one-third are located in the U.S. We own substantially all of our executive and corporate buildings, which are located in Corning, New York. We also own approximately 90% of our research and development facilities and the majority of our manufacturing facilities. We own approximately 22% of our sales and administrative facilities, while the remaining facilities are leased.

For the years ended 2011, 2010 and 2009 we invested a total of $4.3 billion, primarily in facilities outside of the U.S. in our Display Technologies segment. Of the $2.4 billion spent in 2011, over $1.0 billion was for facilities outside the U.S.

Manufacturing, sales and administrative, and research and development facilities have an aggregate floor space of approximately 25 million square feet. Distribution of this total area follows:

(million square feet)	Total	Domestic	Foreign
Manufacturing	19.0	7.1	11.9
Sales and administrative	2.0	1.7	0.3
Research and development	2.2	1.9	0.3
Warehouse	2.3	1.5	0.8
Total	25.5	12.2	13.3

Total assets and capital expenditures by operating segment are included in Note 20 (Reportable Segments) to the Consolidated Financial Statements. Information concerning lease commitments is included in Note 14 (Commitments, Contingencies, and Guarantees) to the Consolidated Financial Statements.

In the fourth quarter of 2011, as a result of excess glass capacity in the market, we announced plans to reduce worldwide glass capacity in our Specialty Materials and Display Technologies segments by approximately 25%. These actions impact Corning Gorilla Glass capacity and LCD glass manufacturing capacity at both our wholly-owned LCD glass business and at our equity affiliate Samsung Corning Precision, and include delaying the start up of the new tanks, as well as postponing the relight of tanks that were under repair. Samsung Corning Precision also shut down several active tanks. Additionally, Corning recorded an impairment charge in the amount of $130 million in the fourth quarter of 2011 related to certain assets located in Japan used in the ion exchange process for the production of large cover glass. The large cover glass impairment charge represents a write-down of assets specific to the glass-strengthening process for large size cover glass to their relative fair market values as of the date of impairment. This asset group includes machinery and equipment used in the ion exchange process and facilities dedicated to the ion exchange process. Refer to Note 9 (Property, Net of Accumulated Depreciation) and Note 16 (Fair Value Measurements) to the Consolidated Financial Statements for additional information.

Item 3. Legal Proceedings

Environmental 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 18 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 December 31, 2011 and 2010, Corning had accrued approximately $25 million (undiscounted) and $30 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.

Dow Corning Corporation. Corning and The Dow Chemical Company (Dow Chemical) each own 50% of the common stock of Dow Corning. In May 1995, Dow Corning filed for bankruptcy protection to address pending and claimed liabilities arising from many thousands of breast implant product lawsuits. On June 1, 2004, Dow Corning emerged from Chapter 11 with a Plan of Reorganization (the Plan) which provided for the settlement or other resolution of implant claims. The Plan also includes releases for Corning and Dow Chemical as shareholders in exchange for contributions to the Plan.

Under the terms of the Plan, Dow Corning has established and is funding a Settlement Trust and a Litigation Facility to provide a means for tort claimants to settle or litigate their claims. Inclusive of insurance, Dow Corning has paid approximately $1.7 billion to the Settlement Trust. As of December 31, 2011, Dow Corning had recorded a reserve for breast implant litigation of $1.6 billion. As a separate matter arising from the bankruptcy proceedings, Dow Corning is defending claims asserted by a number of commercial creditors who claim additional interest at default rates and enforcement costs, during the period from May 1995 through June 2004. As of December 31, 2011, Dow Corning has estimated the liability to commercial creditors to be within the range of $86 million to $280 million. As Dow Corning management believes no single amount within the range appears to be a better estimate than any other amount within the range, Dow Corning has recorded the minimum liability within the range. Should Dow Corning not prevail in this matter, Corning s equity earnings would be reduced by its 50% share of the amount in excess of $86 million, net of applicable tax benefits. In addition, the London Market Insurers (the LMI Claimants) claimed a reimbursement right with respect to a portion of insurance proceeds previously paid by the LMI Claimants to Dow Corning. This claim was based on a theory that the LMI Claimants overestimated Dow Corning s liability for the resolution of implant claims pursuant to the Plan. Based on settlement negotiations, Dow Corning had estimated that the most likely outcome would result in payment to the LMI Claimants in a range of $10 million to $20 million. During the third quarter, Dow Corning and the LMI Claimants settled the claim for an amount within that range. There are a number of other claims in the bankruptcy proceedings against Dow Corning awaiting resolution by the U.S. District Court, and it is reasonably possible that Dow Corning may record bankruptcy-related charges in the future. The remaining tort claims against Corning are expected to be channeled by the Plan into facilities established by the Plan or otherwise defended by the Litigation Facility.

Hemlock Semiconductor Group, of which Dow Corning owns 63%, brought an action against one of its customers to enforce multiyear supply agreements requiring the customer to purchase or pay for quantities of polycrystalline silicon used in the solar power industry. Hemlock Semiconductor Group and the customer resolved the dispute during the fourth quarter. The settlement resulted in Dow Corning recognizing pre-tax income of approximately $420 million for the year ended December 31, 2011, including previously deferred revenue. After income taxes and amounts attributable to non-controlling interests, net income attributable to Dow Corning for the year ended December 31, 2011, increased by approximately $177 million from this settlement.

Pittsburgh Corning Corporation. Corning and PPG Industries, Inc. (PPG) each own 50% of the capital stock of Pittsburgh Corning Corporation (PCC). Over a period of more than two decades, PCC and several other defendants have been named in numerous lawsuits involving claims alleging personal injury from exposure to asbestos. On April 16, 2000, PCC filed for Chapter 11 reorganization in the U.S. Bankruptcy Court for the Western District of Pennsylvania. At the time PCC filed for bankruptcy protection, there were approximately 11,800 claims pending against Corning in state court lawsuits alleging various theories of liability based on exposure to PCC s asbestos products and typically requesting monetary damages in excess of one million dollars per claim. Corning has defended those claims on the basis of the separate corporate status of PCC and the absence of any facts supporting claims of direct liability arising from PCC s asbestos products. Corning is also currently involved in approximately 9,900 other cases (approximately 38,300 claims) alleging injuries from asbestos and similar amounts of monetary damages per case. Those cases have been covered by insurance without material impact to Corning to date. As described below, several of Corning s insurance carriers have filed a legal proceeding concerning the extent of any insurance coverage for these claims. Asbestos litigation is inherently difficult, and past trends in resolving these claims may not be indicators of future outcomes.

Corning, with other relevant parties, has been involved in ongoing efforts to develop a Plan of Reorganization that would resolve the concerns and objections of the relevant courts and parties. In 2003, a plan was agreed to by various parties (the 2003 Plan), but, on December 21, 2006, the Bankruptcy Court issued an order denying the confirmation of that 2003 Plan. On January 29, 2009, an amended plan of reorganization (the Amended PCC Plan) - which addressed the issues raised by the Court when it denied confirmation of the 2003 Plan - was filed with the Bankruptcy Court.

The proposed resolution of PCC asbestos claims under the Amended PCC Plan would have required Corning to contribute its equity interests in PCC and Pittsburgh Corning Europe N.V. (PCE), a Belgian corporation, and to contribute a fixed series of payments, recorded at present value. Corning would have had the option to use its shares rather than cash to make these payments, but the liability would have been fixed by dollar value and not the number of shares. The Amended PCC Plan would, originally, have required Corning to make (1) one payment of $100 million one year from the date the Amended PCC Plan becomes effective and certain conditions are met and (2) five additional payments of $50 million, on each of the five subsequent anniversaries of the first payment, the final payment of which is subject to reduction based on the application of credits under certain circumstances. Documents were filed with the Bankruptcy Court further modifying the Amended PCC Plan by reducing Corning s initial payment by $30 million and reducing its second and fourth payments by $15 million each. In return, Corning would relinquish its claim for reimbursement of its payments and contributions under the Amended PCC Plan from the insurance carriers involved in the bankruptcy proceeding with certain exceptions.

On June 16, 2011, the Court entered an Order denying confirmation of the Amended PCC Plan. The Court s memorandum opinion accompanying the order rejected some objections to the Amended PCC Plan and made suggestions regarding modifications to the Amended PCC Plan that would allow the Plan to be confirmed. Corning and other parties have filed a motion for reconsideration, objecting to certain points of this Order. Certain parties to the proceeding filed specific plan modifications in response to the Court s opinion and Corning supported these filings. Corning and other parties also filed a motion for reconsideration objecting to certain points in the Court s opinion and Order. Proposed plan modifications will be discussed during the hearing scheduled for February 17, 2012.

The Amended PCC Plan does not include certain non-PCC asbestos claims that may be or have been raised against Corning. Corning has recorded an additional $150 million for such claims in its estimated asbestos litigation liability. The liability for non-PCC claims was estimated based upon industry data for asbestos claims since Corning does not have recent claim history due to the injunction issued by the Bankruptcy Court. The estimated liability 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.

The Amended PCC Plan with the modifications addressing issues raised by the Court s June 16 opinion remains subject to a number of contingencies. Payment of the amounts required to fund the Amended PCC Plan from insurance and other sources are subject to a number of conditions that may not be achieved. The approval of the (further modified) Amended PCC Plan by the Bankruptcy Court is not certain and faces objections by some parties. If the modified Amended PCC Plan is approved by the Bankruptcy Court, that approval will be subject to appeal. For these and other reasons, Corning s liability for these asbestos matters may be subject to changes in subsequent quarters. The estimate of the cost of resolving the non-PCC asbestos claims may also be subject to change as developments occur. Management continues to believe that the likelihood of the uncertainties surrounding these proceedings causing a material adverse impact to Corning s financial statements is remote.

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, including rights that may be affected by the potential resolutions described above. Corning is vigorously contesting these cases. Management is unable to predict the outcome of this insurance litigation and therefore cannot estimate the range of any possible loss.

Seoul Guarantee Insurance Co. and other creditors against Samsung Group and affiliates. Prior to their merger, Samsung Corning Precision Materials Co., Ltd. (Samsung Corning Precision) and Samsung Corning Co. Ltd. (Samsung Corning) were two of approximately thirty co-defendants in a lawsuit filed by Seoul Guarantee Insurance Co. and thirteen other creditors (SGI and Creditors) for alleged breach of an agreement that approximately twenty-eight affiliates of the Samsung group (Samsung Affiliates) entered into with SGI and Creditors on August 24, 1999 (the Agreement). The lawsuit is pending in the courts of South Korea. Under the Agreement, it is alleged that the Samsung Affiliates agreed to sell certain shares of Samsung Life Insurance Co., Ltd. (SLI), which had been transferred to SGI and Creditors in connection with the petition for court receivership of Samsung Motors Inc. In the lawsuit, SGI and Creditors allege a breach of the Agreement by the Samsung Affiliates and are seeking the loss of principal (approximately $1.95 billion) for loans extended to Samsung Motors Inc., default interest and a separate amount for breach. On January 31, 2008, the Seoul District Court ordered the Samsung Affiliates: to pay approximately $1.3 billion by disposing of 2,334,045 shares of SLI less 1,165,955 shares of SLI previously sold by SGI and Creditors and paying the proceeds to SGI and Creditors; to satisfy any shortfall by participating in the purchase of equity or subordinate debentures issued by them; and pay default interest of 6% per annum. The ruling was appealed. On November 10, 2009, the Appellate Court directed the parties to attempt to resolve this matter through mediation. On January 11, 2011, the Appellate Court ordered the Samsung Affiliates to pay 600 billion won in principal and 20 billion won in delayed interest to SGI and Creditors. Samsung promptly paid those amounts, which approximated $550 million when translated to United States dollars, from a portion of an escrow account established upon completion of SLI s initial public offering (IPO) on May 7, 2010. On February 7, 2011, the Samsung Affiliates appealed the Appellate Court s ruling to the Supreme Court of Korea and the appeal is currently in progress. Samsung Corning Precision has not contributed to any payment related to these disputes, and has concluded that no provision for loss should be reflected in its financial statements. Other than as described above, no claim in these matters has been asserted against Corning or any of its affiliates.

Ellsworth Industrial Park, Downers Grove, IL Environmental Litigation. Corning has settled claims for contribution for personal injury and property damage arising from the alleged release of solvents from the operations of several corporate defendants at the Ellsworth Industrial Park into soil and groundwater. Corning has also settled a cost-recovery action by the State of Illinois against a number of corporate defendants as a result of an alleged groundwater contamination at this industrial park site. Two additional corporate defendants have made claims for contribution for property damage and cost recovery for remediations at this industrial park site, one of which has been voluntarily dismissed as to Corning. The second case was dismissed by the Court on August 12, 2009. On November 17, 2009, the Court denied plaintiff s request to file an amended complaint. On December 14, 2009, plaintiff gave notice of its appeal of the District Court s opinion and order dismissing its case to the U.S. Court of Appeals for the Seventh Circuit. On November 10, 2010, the Court of Appeals reversed the District Court and reinstated the case. At a February 3, 2011 status conference, the District Court set a date for responses to plaintiff s complaint. On March 7, 2011, Corning filed a motion to dismiss the complaint. On August 11, 2011, the District Court granted Corning s motion to dismiss. On August 15, 2011, the case was settled by agreement with respect to Corning s subsidiary, H.W. Holding Co. On October 31, 2011, the District Court dismissed the case with prejudice pursuant to the settlement agreement.

Supply Disputes. Corning has notified customers of its Environmental Technologies segment that it will be unable to fully supply all future requests for certain diesel products, but will honor its existing legal obligations. At least one customer has taken the position that Corning has a legal obligation to supply its requirements for these products for some time in the future despite the absence of an executed supply agreement or accepted purchase orders. In response, Corning has indicated it does not agree with the customer s position and Corning is under no current obligation to provide these products in the future to that customer. Corning filed an action for a declaratory judgment in the Western District of New York seeking confirmation of Corning s position on these issues. The parties have since resolved the supply issues and Corning voluntarily dismissed the declaratory judgment complaint on December 6, 2011. Corning continues to discuss an appropriate resolution of supply matters with other customers.

Chinese Antidumping Investigation. On April 22, 2010, the Chinese Ministry of Commerce initiated an antidumping investigation against manufacturers of optical fiber based in the U.S. and the European Union, alleging that standard single-mode optical fiber was sold in China at lower prices than in the respective home country. This matter does not present a claim for damages, but the Ministry may prospectively impose additional duties on imported fiber products. On April 21, 2011, the Chinese authorities issued a final decision finding a dumping margin of approximately 5.4% on certain optical fiber imported by Corning into China, having previously rejected Corning s arguments against the imposition of such duties.

Demodulation, Inc. On January 18, 2011, Demodulation, Inc. filed suit in the U.S. District Court for the District of New Jersey against Applied DNA Sciences, Inc., Corning Incorporated, Alfred University, Alfred Technology Resources, Inc., and John and Jane Does 1-10. Demodulation filed an amended complaint on August 3, 2011, alleging a conspiracy by the defendants to steal Demodulation s alleged trade secrets and other intellectual property related to glass covered amorphous metal microwires and seeks damages under various theories, including breach of contract, defamation, conspiracy, antitrust, unfair competition, interference with prospective business relations and misappropriation of trade secrets. Corning does not believe Demodulation s allegations have merit and intends to defend the case vigorously. Recognizing that the outcome of litigation is uncertain, management believes that the likelihood of a materially adverse impact to Corning s financial statements is remote.

Trade Secret Misappropriation Suits Concerning LCD Glass Technology. On July 18, 2011, in China, Corning Incorporated filed suit in the Beijing Second Intermediate People s Court against Hebei Dongxu Investment Group Co., Ltd., which changed its name to Dongxu Group Co., Ltd. (Dongxu) for misappropriation of certain trade secrets related to the fusion draw process for manufacturing glass substrates used in active matrix liquid crystal displays (LCDs). Dongxu has filed an appeal to contest jurisdiction. On July 18, 2011, in Korea, Corning Incorporated and Samsung Corning Precision Materials Co., Ltd. (Samsung Corning Precision) filed suits in the Daejeon District Court against Dongxu, one of its officers, and two other named individuals, for related trade secret misappropriation. Samsung Corning Precision is an equity company between Corning and Samsung Electronics Co., Ltd., which uses Corning LCD glass technology under license agreements with Corning. In these actions, Corning is seeking monetary damages and orders restraining Dongxu from using, disclosing, or permitting others to use, misappropriated Corning LCD glass manufacturing technology. Two of the individuals named in the Korean suit were previously convicted in Seoul Southern District Court on January 22, 2009, for the theft of certain Corning LCD glass technology that was being used by Samsung Corning Precision.

Item 4. Removed and reserved.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Corning Incorporated common stock is listed on the New York Stock Exchange. In addition, it is traded on the Boston, Midwest, Pacific and Philadelphia stock exchanges. Common stock options are traded on the Chicago Board Options Exchange. The ticker symbol for Corning Incorporated is GLW.

The following table sets forth the high and low sales price of Corning s common stock as reported on the Composite Tape.

	First quarter	Second quarter	Third quarter	Fourth quarter
2011				
Price range				
High	**$ 23.43**	**$ 22.05**	**$ 18.72**	**$ 15.75**
Low	**$ 18.93**	**$ 17.20**	**$ 11.90**	**$ 11.51**
2010				
Price range				
High	$ 20.85	$ 21.10	$ 19.39	$ 19.69
Low	$ 16.75	$ 15.51	$ 15.45	$ 17.15

As of December 31, 2011, there were approximately 20,788 record holders of common stock and approximately 631,350 beneficial shareholders.

Between the third quarter of 2007 and the third quarter of 2011, Corning paid a quarterly cash dividend of $0.05 per share on the Company s common stock. On October 5, 2011, Corning s Board of Directors declared a 50% increase in the Company s quarterly common stock dividend. Corning s quarterly dividend increased from $0.05 per share to $0.075 per share of common stock.

Equity Compensation Plan Information

The following table shows the total number of outstanding options and shares available for other future issuances of options under all of our existing equity compensation plans, including our 2005 Employee Equity Participation Program, our 2003 Equity Plan for Non-Employee Directors, and 2010 Equity Plan for Non-Employee Directors, as of December 31, 2011.

Plan category	A Number of securities to be issued upon exercise of outstanding options, warrants and rights	B Weighted-average exercise price of outstanding options, warrants and rights	C Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A)
Equity compensation plans approved by security holders (1)	65,027,000	15.91	47,683,271
Equity compensation plans not approved by security holders	0	0	0
Total	65,027,000	15.91	47,683,271

(1) Shares indicated are total grants under the most recent shareholder approved plans as well as any shares remaining outstanding from any prior shareholder approved plans.

Performance Graph

The following graph illustrates the cumulative total shareholder return over the last five years of Corning s common stock, the S&P 500 and the S&P Communications Equipment Companies (in which Corning is currently included). The graph includes the capital weighted performance results of those companies in the communications equipment company classification that are also included in the S&P 500.

(b) Not applicable.

(c) The following table provides information about our purchases of our common stock during the fiscal fourth quarter of 2011:
Issuer Purchases of Equity Securities

Period	**Number of shares purchased** (1)	**Average price paid per share** (1)	**Number of shares purchased as part of publicly announced plans or programs** (2)	**Approximate dollar value of shares that may yet be purchased under the plans or programs** (2)
October 1-31, 2011	5,651,964	$ 15.04	5,580,000	$ 1,415,941,407
November 1-30, 2011	29,280,286	$ 14.35	29,280,286	$ 995,755,671
December 1-31, 2011	20,521,498	$ 13.49	20,482,952	$ 719,502,944
Total at December 31, 2011	55,453,748	$ 14.10	55,343,238	$ 719,502,944

(1) This column reflects the following transactions during the fiscal fourth quarter of 2011: (i) the deemed surrender to us of 6,765 shares of common stock to pay the exercise price and to satisfy tax withholding obligations in connection with the exercise of employee stock options, and (ii) the surrender to us of 103,745 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 55,343,238 shares of common stock in conjunction with the repurchase program announced in the fourth quarter of 2011.

(2) On October 5, 2011, we publicly announced authorization to repurchase up to $1.5 billion of our common stock by December 31, 2013.

Item 6. Selected Financial Data (Unaudited)

(In millions, except per share amounts and number of employees)

	Years ended December 31,				
	2011	2010	2009	2008	2007
Results of operations					
Net sales	**$ 7,890**	$ 6,632	$ 5,395	$ 5,948	$ 5,860
Research, development and engineering expenses	**$ 671**	$ 603	$ 563	$ 627	$ 565
Equity in earnings of affiliated companies	**$ 1,471**	$ 1,958	$ 1,435	$ 1,358	$ 983
Net income attributable to Corning Incorporated	**$ 2,805**	$ 3,558	$ 2,008	$ 5,257	$ 2,150
Earnings per common share attributable to Corning Incorporated:					
Basic	**$ 1.80**	$ 2.28	$ 1.30	$ 3.37	$ 1.37
Diluted	**$ 1.77**	$ 2.25	$ 1.28	$ 3.32	$ 1.34
Cash dividends declared per common share	**$ 0.23**	$ 0.20	$ 0.20	$ 0.20	$ 0.10
Shares used in computing per share amounts:					
Basic earnings per common share	**1,562**	1,558	1,550	1,560	1,566
Diluted earnings per common share	**1,583**	1,581	1,568	1,584	1,603
Financial position					
Working capital	**$ 6,580**	$ 6,873	$ 3,982	$ 2,567	$ 2,782
Total assets	**$ 27,848**	$ 25,833	$ 21,295	$ 19,256	$ 15,215
Long-term debt	**$ 2,364**	$ 2,262	$ 1,930	$ 1,527	$ 1,514
Total Corning Incorporated shareholders equity	**$ 21,078**	$ 19,375	$ 15,543	$ 13,443	$ 9,496
Selected data					
Capital expenditures	**$ 2,432**	$ 1,007	$ 890	$ 1,921	$ 1,262
Depreciation and amortization	**$ 957**	$ 854	$ 792	$ 695	$ 607
Number of employees	**28,800**	26,200	23,500	27,000	24,800

Reference should be made to the Notes to the Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Organization of Information

Management s Discussion and Analysis provides a historical and prospective narrative on the Company s financial condition and results of operations. This discussion includes the following sections:

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

OVERVIEW

Although Corning s net income declined in 2011 when compared to 2010, the majority of our segments experienced healthy sales growth, despite the challenging 2011 economic environment. The largest driver of Corning s sales increase was the robust retail demand for portable display devices that utilize our Corning Gorilla Glass. Our Telecommunications segment also experienced significant sales growth in 2011 due to strong fiber-to-the-premises, enterprise network products, and optical fiber and cable sales. In addition, sales increased 22% in 2011 in our Environmental Technologies segment, reflecting increased demand worldwide for automotive and diesel products. Sales in the Life Sciences segment were higher primarily due to an increase in demand for the segment s legacy products, combined with the impact of a small acquisition completed in the fourth quarter of 2010. Sales in our Display Technologies segment were only slightly higher in 2011 when compared to the prior year, reflecting volume growth and favorable movements in foreign exchange rates, offset by significantly lower prices. Results in this segment reflect the excess glass capacity in the market, driven by lower than anticipated worldwide glass volume growth in 2011. Corning is addressing the current imbalance between glass supply and demand by reducing worldwide glass capacity in our Display Technologies and Specialty Materials segments by approximately 25%, impacting LCD glass capacity as well as Corning Gorilla Glass capacity.

For the year ended December 31, 2011, we generated net income of $2.8 billion or $1.77 per share compared to net income of $3.6 billion or $2.25 per share for 2010. When compared to last year, the decrease in net income was due largely to the following items:

- Lower net income in the Display Technologies segment due to a significant decrease in equity earnings from our equity affiliate Samsung Corning Precision, reflecting higher taxes, lower volume and substantial price declines, combined with a decrease in net income in our wholly-owned business, driven by price declines;
- A decrease in equity earnings from our equity affiliate Dow Corning, primarily due to significantly higher raw materials costs, the absence of non-recurring favorable tax items recorded in 2010 and a sales shift from higher priced, higher margin silicones to lower priced, lower margin silicones. The decrease in equity earnings was offset somewhat by an $89 million gain associated with the resolution of a contract dispute by Hemlock Semiconductor Group against one of its customers relating to enforcement of long-term supply agreements. Hemlock Semiconductor Group is Dow Corning s consolidated subsidiary that makes high purity polycrystalline silicon for the semiconductor and solar industries;
- The absence of the benefit of the settlement of business interruption and property damage insurance claims in 2010 impacting our Display Technologies segment in the amount of $324 million (pre-tax);
- A $130 million impairment charge (pretax) impacting our Specialty Materials segment related to certain assets located in Japan used in the ion exchange process for the production of large cover glass; and
- An increase in our effective tax rate due to the following:
  - The absence of the favorable tax impact from the decision to repatriate earnings from certain foreign subsidiaries in 2010 in the amount of $265 million; and
  - The expiration of tax holidays in Taiwan.

The decrease in net income in 2011 was offset somewhat from the favorable impact of movements in foreign exchange rates in the amount of $219 million, and higher net income in our Telecommunications and Environmental Technologies segments.

Corning remains committed to a strategy of growing through global innovation while preserving our independence. This strategy has served us well. Our key priorities for 2011 were similar to those in prior years: protect our financial health and invest in the future. During 2011, we made the following progress on these priorities:

Financial Health

Our financial position remained sound and we delivered strong cash flows from operating activities. Significant items in 2011 included the following:

- Our debt to capital ratio at December 31, 2011 was 10%, slightly lower than our debt to capital ratio of 11% at December 31, 2010.
- Operating cash flow for the year was $3.2 billion.
- We ended the year with over $5.8 billion of cash and short-term investments.
- Corning s Board of Directors declared a 50% increase in the company s quarterly common stock dividend.
- We repurchased 55 million shares of common stock for $780 million as part of a repurchase program announced in the fourth quarter. These actions reflect our significant cash balance and the belief that we will continue to achieve strong cash flows in the future.

Investing in our future

We continue to focus on the future and on what we do best creating keystone components that enable high-technology systems. We remain committed to investing in research, development and engineering to drive innovation. We continue to work on new products, including glass substrates for high performance displays, OLED and LCD applications, diesel filters and substrates, and the optical fiber, cable and hardware and equipment that enable fiber-to-the-premises, and next generation data centers. In addition, in 2011, we increased our focused on wireless solutions for diverse venue applications such as Distributed Antenna Systems, fiber-to-the-cell and antennas. We have increased our research, development and engineering spending to support the advancement of new product attributes for our Corning Gorilla Glass suite of products. We will continue to focus on adjacent glass opportunities, including products such as glass substrates for thin-film photovoltaics in solar applications, which leverage existing materials or manufacturing processes.

Our research, development and engineering expenditures increased by $68 million in 2011 when compared to 2010, but remained relatively constant as a percentage of net sales. We believe our spending levels are appropriate to support our technology and innovation strategies.

Capital spending increased significantly in 2011 when compared to 2010, largely as a result of several multi-year investment plans announced in 2010 that will increase manufacturing capacity in several of our reportable segments. Specifically, the increase in spending in 2011 was driven by construction costs for an LCD glass substrate facility in China for our Display Technologies segment and a capacity expansion project for Specialty Materials Corning Gorilla Glass in Japan. Capital expenditures in 2011 also include spending in the Environmental Technologies segment to expand its existing automotive substrate facilities in Shanghai, China and Kaiserslautern, Germany, and in the Life Sciences segment to establish a manufacturing and distribution facility in WuJiang, China. Total capital expenditures for 2011 were $2.4 billion. In 2011, approximately $1.3 billion was invested in our Display Technologies segment and approximately $348 million was invested in our Specialty Materials segment.

We expect our 2012 capital spending to be about $1.8 billion. Approximately $800 million will be allocated to our Display Technologies segment, of which approximately $400 million will be related to 2011 capital projects.

Corporate Outlook

Corning expects moderate sales growth in 2012, led by an increase in demand in our Telecommunications and Environmental Technologies segments. We believe worldwide demand for LCD glass in 2012 will increase from 3.2 billion square feet to approximately 3.6 billion square feet when compared to 2011, driven by the combination of an increase in retail sales of LCD televisions and the demand for larger television screen sizes, coupled with growth in the personal computer market. We expect cumulative double-digit price declines in our Display segment over the two-quarter period beginning in the fourth quarter of 2011. We are hopeful that sequential quarterly price declines in 2012 will be moderate. Net income will be negatively impacted by lower equity earnings from our equity affiliate Dow Corning, driven by lower demand and price declines in both silicone products and at Hemlock Semiconductor Group, Dow Corning s consolidated subsidiary that makes high purity polycrystalline silicon for the semiconductor and solar industries. We may take advantage of acquisition opportunities that support the long-term strategies of our businesses. We remain confident that our strategy to grow through global innovation, while preserving our financial stability, will enable our continued long-term success.

RESULTS OF OPERATIONS

Selected highlights from our continuing operations follow (dollars in millions):

				% change	
	2011	2010	2009	11 vs. 10	10 vs. 09
Net sales	**$ 7,890**	$ 6,632	$ 5,395	19	23
Gross margin	**$ 3,566**	$ 3,049	$ 2,093	17	46
(gross margin %)	**45%**	46%	39%		
Selling, general and administrative expense	**$ 1,033**	$ 1,015	$ 881	2	15
(as a % of net sales)	**13%**	15%	16%		
Research, development and engineering expenses	**$ 671**	$ 603	$ 563	11	7
(as a % of net sales)	**9%**	9%	10%		
Restructuring, impairment and other charges (credits)	**$ 129**	$ (329)	$ 228	*	*
(as a % of net sales)	**2%**	(5)%	4%		
Asbestos litigation charge (credit)	**$ 24**	$ (49)	$ 20	*	*
(as a % of net sales)	**0%**	(1)%	0%		
Equity in earnings of affiliated companies	**$ 1,471**	$ 1,958	$ 1,435	(25)	36
(as a % of net sales)	**19%**	30%	27%		
Income before income taxes	**$ 3,213**	$ 3,845	$ 1,934	(16)	99
(as a % of net sales)	**41%**	58%	36%		
(Provision) benefit for income taxes	**$ (408)**	$ (287)	$ 74	42	(488)
(as a % of net sales)	**(5)%**	(4)%	1%		
Net income attributable to Corning Incorporated	**$ 2,805**	$ 3,558	$ 2,008	(21)	77
(as a % of net sales)	**36%**	54%	37%		

* The percentage change calculation is not meaningful.

Net Sales

Net sales in 2011 increased 19% when compared to the prior year, due to sales growth in all of our segments, with the largest increases occurring in the Specialty Materials, Telecommunications and Environmental segments. Sales in the Specialty Materials segment increased by 86%, due to the strong demand for Corning Gorilla Glass that is used as cover glass in portable handheld display devices, tablets and notebook computers. Telecommunications segment sales increased due to strength across all of their product lines, most significantly in optical fiber and cable and fiber-to-the-premises products. Sales in the Environmental Technologies segment were higher, driven by higher demand for our diesel products. Additionally, the net positive impact of movements in foreign exchange rates impacted sales in the amount of $345 million.

Net sales in 2010 increased 23% due to higher sales in all of our segments when compared to 2009, driven by volume growth in all of our segments and from the net positive impact of movements in foreign exchange rates. We saw demand increase for all of our LCD products, led by strong growth of LCD televisions outside of the United States. Sales in our Specialty Materials segment in 2010 increased 75% when compared to 2009, due to strong demand for Corning Gorilla Glass products. Sales were also strong in both our Environmental Technologies and Life Sciences segments, up 38% and 39%, respectively.

In 2011, net sales into international markets accounted for 78% of net sales. For 2010 and 2009, net sales into international markets accounted for 74% and 76%, respectively, of net sales.

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

For 2011, gross margin dollars increased when compared to 2010, but declined slightly as a percentage of sales. Improvements in gross margin were driven by the impact of strong sales in the Specialty Materials segment, along with volume increases and manufacturing efficiency gains in the Environmental Technologies segment. Offsetting these gains was the impact of significant price declines in our Display Technologies segment.

For 2010, gross margin dollars and as a percentage of net sales increased significantly when compared to 2009, due primarily to the impact of volume increases in the Display Technologies segment, offset somewhat by price declines. Improvements were also driven by strong sales in the Environmental Technologies and Specialty Materials segments, as well as cost reduction efforts and manufacturing efficiency improvements.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for 2011 increased slightly when compared to 2010, due primarily to an increase in salaries, partially as a result of three small acquisitions completed within the past 15 months, offset by an adjustment to performance-based compensation costs and a credit of $27 million resulting from a reduction in a contingent liability associated with an acquisition recorded in the first quarter of 2011. As a percentage of net sales, selling, general, and administrative expenses in 2011 were down considerably when compared to 2010, because the rate of increase in sales exceeded the rate of increase in spending for selling, general, and administrative costs.

Selling, general, and administrative expenses for 2010 were up when compared to 2009, due primarily to higher compensation-related costs and the costs of integrating new businesses, offset by the impact of restructuring actions completed in 2009. As a percentage of net sales, selling, general, and administrative expenses in 2010 were down slightly when compared to 2009, because the rate of increase in sales exceeded the rate of increase in spending for selling, general, and administrative costs.

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

Research, Development and Engineering Expenses

Research, development and engineering expenses for 2011 increased by $68 million to $671 million in 2011 when compared to 2010, but remained relatively constant as a percentage of net sales. Corning s research, development and engineering expenses are currently focused on our Specialty Materials and Telecommunications segments as we strive to capitalize on growth opportunities in those segments. We believe our spending levels are adequate to support our technology and innovation strategies.

Research, development and engineering expenses increased by $40 million in 2010 when compared to 2009, but declined slightly as a percentage of net sales. Increased spending in 2010 was driven primarily by the Display Technologies, Environmental Technologies and Telecommunications segments.

Restructuring, Impairment, and Other Charges and Credits

Corning recorded restructuring, impairment, and other charges and credits in 2011, 2010 and 2009, which affect the comparability of our results for the periods presented. A description of those charges and credits follows:

2011 Activity

In the fourth quarter of 2011, Corning recorded an impairment charge in the amount of $130 million related to certain assets located in Japan used in the ion exchange process for the production of large cover glass. Large cover glass is primarily used as a cover sheet of strengthened glass for frameless (bezel-less) LCD displays. The large cover glass impairment charge represents a write-down of assets specific to the glass-strengthening process for large size cover glass to their relative fair market values as of the date of impairment. This asset group includes machinery and equipment used in the ion exchange process and facilities dedicated to the ion exchange process. Additional information on the asset impairment is found in Note 9 (Property, Net of Accumulated Depreciation) and Note 16 (Fair Value Measurements) to the Consolidated Financial Statements.

2010 Activity

In the fourth quarter of 2010, we recorded $324 million in other credits as settlement of business interruption and property damage insurance claims resulting from two events which impacted production at several of our LCD glass manufacturing facilities. In August 2009, an earthquake halted production at one of our LCD glass manufacturing facilities in Japan and in October 2009, production at our facility in Taichung, Taiwan was impacted by a power disruption.

2009 Activity

In response to anticipated lower sales in 2009, we recorded charges of $228 million primarily for a corporate-wide restructuring plan to reduce our global workforce. The charges included costs for severance, special termination benefits, outplacement services, and the impact of a $32 million curtailment loss for postretirement benefits in 2009. Total cash expenditures associated with these actions were approximately $150 million, with the majority of spending for employee-related costs completed by 2010 and payments for exit activities substantially completed by the end of 2011. Annualized savings from these actions are about $224 million and are reflected largely in cost of sales and selling, general, and administrative expenses.

Asbestos Litigation

In 2011, we recorded an increase to our asbestos litigation liability of $24 million compared to a net decrease in 2010 of $49 million. The net decrease in 2010 was due primarily to a $54 million decrease to our estimated liability for asbestos litigation that was recorded in the first quarter of 2010, as a result of the change in terms of the proposed settlement of the PCC asbestos claims. For the remainder of 2010, we recorded net credit adjustments to our asbestos litigation liability of $5 million to reflect the change in value of the estimated settlement liability. In 2009, we recorded an increase to our asbestos litigation liability of $20 million.

Our asbestos litigation liability was estimated to be $657 million at December 31, 2011, compared with an estimate of $633 million at December 31, 2010. The entire obligation is classified as a non-current liability as installment payments for the cash portion of the obligation are not planned to commence until more than 12 months after the proposed Amended PCC Plan is ultimately effective, and a portion of the obligation fulfilled through the direct contribution of Corning s investment in PCE (currently recorded as a non-current other equity method investment).

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See Legal Proceedings for additional information about this matter.

Equity in Earnings of Affiliated Companies, Net of Impairments

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

	Years ended December 31,		
	2011	2010	2009
Samsung Corning Precision	**$ 1,031**	$ 1,473	$ 1,115
Dow Corning	**404**	444	287
All other	**36**	41	33
Total equity earnings	**$ 1,471**	$ 1,958	$ 1,435

Equity earnings of affiliated companies decreased in 2011, reflecting lower earnings performance at both Samsung Corning Precision and at Dow Corning, when compared to last year.

The change in equity earnings from Samsung Corning Precision is explained more fully in the discussion of the performance of the Display Technologies segment and in All Other.

Equity earnings from Dow Corning were lower in 2011 when compared to 2010. The decline in equity earnings was largely due to the following items:

- An increase in raw material costs of slightly above $100 million;
- A sales shift from higher priced, higher margin silicones to lower priced, lower margin silicones; and
- A decrease in advanced energy manufacturing tax credits.

The decrease in equity earnings from Dow Corning was partially offset by a gain in the amount of $89 million associated with the resolution of a contract dispute by Dow Corning s consolidated subsidiary, Hemlock Semiconductor Group (Hemlock), a producer of high purity polycrystalline silicon for the semiconductor and solar industries, against one of its customers relating to enforcement of long-term supply agreements.

In the second half of 2011, Dow Corning began experiencing unfavorable industry conditions at Hemlock. Declines in governmental subsidies in the solar panel industry, especially in Europe, and over-capacity at all levels of the solar supply chain led to significant declines in polycrystalline spot prices. The decline in spot prices was large enough to potentially induce Hemlock customers to default on their long term contracts. In response, Hemlock modified a number of sales agreements to provide temporary pricing relief while preserving the long-term favorable relationships with its customers. In addition, Hemlock decided to delay certain plant expansion activities until market conditions for polycrystalline silicon have improved. Prices for polycrystalline silicon are expected to remain at these substantially lower levels throughout 2012, negatively impacting profitability at Hemlock and resulting in lower equity earnings from Dow Corning in 2012 when compared to 2011.

The increase in equity earnings from Dow Corning in 2010 when compared to 2009 was primarily due to the following items:

- An increase in sales of 18%, resulting from strength in Dow Corning s traditional silicone products and improved volume at Hemlock;
- The positive impact of advanced energy manufacturing tax credits approved by the U.S. government for Dow Corning s manufacturing expansion projects that support the solar industry. Corning s share of these credits was $21 million;
- The release of valuation allowances on foreign deferred tax assets. The impact to Corning was $26 million; and
- The absence of restructuring charges in the amount of $29 million recorded in 2009 for our share of costs associated with Dow Corning s global workforce reduction.

Other Income (Expense), Net

Other income (expense), net in Corning s consolidated statements of income includes the following (in millions):

	Years ended December 31,		
	2011	2010	2009
Royalty income from Samsung Corning Precision	**$ 219**	$ 265	$ 232
Foreign currency transaction and hedge losses, net	**(43)**	(22)	(54)
Loss on retirement of debt		(30)	
Net realized losses of available-for-sale securities		(2)	(2)
Net loss (income) attributable to noncontrolling interests	**3**	2	(6)
Other, net	**(61)**	(29)	1
Total	**$ 118**	$ 184	$ 171

Income Before Income Taxes

In addition to the items identified under Gross margin, Restructuring, impairment and other charges (credits), Asbestos litigation charge (credit), and Other income, net, movements in foreign exchange rates also impacted results for the years presented. In 2011, Income before income taxes included $256 million from the positive impact of movements in foreign exchange rates when compared to 2010. In 2010, Income before income taxes included $229 million for the positive impact of movements in foreign exchange rates when compared to the previous year.

Provision (Benefit) for Income Taxes

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

	Years ended December 31,		
	2011	2010	2009
Provision (benefit) for income taxes	**$ 408**	$ 287	$ (74)
Effective tax rate	**12.7%**	7.5%	(3.8)%

The effective income tax rate for 2011 differed from the U.S. statutory rate of 35% primarily due to the following items:

- Rate differences on income/(losses) of consolidated foreign companies;
- The impact of equity in earnings of affiliated companies;
- The benefit of tax holidays and investment credits in foreign jurisdictions; and
- A $41 million tax benefit from amending our 2006 U.S. Federal return to claim foreign tax credits.

The effective income tax rate for 2010 differed from the U.S. statutory rate of 35% primarily due to the following items:

- Rate differences on income/(losses) of consolidated foreign companies;
- The impact of equity in earnings of affiliated companies;
- The benefit of tax holidays and investment credits in foreign jurisdictions;
- The benefit of excess foreign tax credits from repatriation of current year earnings of certain foreign subsidiaries; and
- The impact of the reversal of the deferred tax assets associated with a tax exempt subsidy attributable to our other postretirement benefits liability.

The effective income tax rate (benefit) for 2009 differed from the U.S. statutory rate of 35% primarily due to the following items:

- Rate differences on income/(losses) of consolidated foreign companies;

The impact of equity in earnings of affiliated companies;
The benefit of tax holidays and investment credits in foreign jurisdictions;
The benefit of the U.S. Research and Experimentation tax credit for years 2005-2009;
The benefit of recording additional deferred tax assets for a tax exempt subsidy attributable to our OPEB liability; and
The impact of the net increase in valuation allowances due to changes in judgment on the realizability of certain state and foreign deferred tax assets.

Corning has valuation allowances on certain shorter-lived deferred tax assets such as those represented by capital loss carry forwards and state tax net operating loss carry forwards, as well as other foreign net operating loss carry forwards and federal and state tax credits, because we cannot conclude that it is more likely than not that we will earn income of the character required to utilize these assets before they expire. U.S. profits of approximately $7.8 billion will be required to fully realize the deferred tax assets as of December 31, 2011. Of that amount, $4.2 billion of U.S. profits will be required over the next 14 years to fully realize the deferred tax assets associated with federal net operating loss carry forwards. The remaining deferred tax assets will be realized as the underlying temporary differences reverse over an extended period. The amount of U.S. and foreign deferred tax assets that had valuation allowances at December 31, 2011 and 2010 was $219 million and $214 million, respectively.

We currently provide income taxes on the earnings of foreign subsidiaries and affiliated companies to the extent these earnings are currently taxable or expected to be remitted. As of December 31, 2011, taxes have not been provided on approximately $10.8 billion of accumulated foreign unremitted earnings that are expected to remain invested indefinitely. It is not practical to calculate the unrecognized deferred tax liability on those earnings.

Certain foreign subsidiaries in China and Taiwan are operating under tax holiday arrangements. The nature and extent of such arrangements vary, and the benefits of such arrangements phase out through 2015 according to the specific terms and schedules of the relevant taxing jurisdictions. The impact of the tax holidays on our effective rate is a reduction in the rate of 2.0, 3.1 and 7.3 percentage points for 2011, 2010 and 2009, respectively.

While we expect the amount of unrecognized tax benefits to change in the next 12 months, we do not expect the change to have a significant impact on the results of operations or our financial position.

Refer to Note 6 (Income Taxes) to the Consolidated Financial Statements for further details regarding income tax matters.

Net Income Attributable to Corning Incorporated

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

	Years ended December 31,		
	2011	2010	2009
Net income attributable to Corning Incorporated	**$ 2,805**	$ 3,558	$ 2,008
Basic earnings per common share	**$ 1.80**	$ 2.28	$ 1.30
Diluted earnings per common share	**$ 1.77**	$ 2.25	$ 1.28
Shares used in computing per share amounts			
Basic earnings per common share	**1,562**	1,558	1,550
Diluted earnings per common share	**1,583**	1,581	1,568

REPORTABLE SEGMENTS

Our reportable segments are as follows:

- Display Technologies - manufactures glass substrates for flat panel liquid crystal displays.
- Telecommunications - manufactures optical fiber and cable and hardware and equipment components for the telecommunications industry.
- Environmental Technologies - manufactures ceramic substrates and filters for automotive and diesel applications. This reportable segment is an aggregation of our Automotive and Diesel operating segments as these two segments share similar economic characteristics, products, customer types, production processes and distribution methods.
- 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 consumables for scientific applications.

All other reportable segments that do not meet the quantitative threshold for separate reporting have been grouped as All Other . This group is primarily comprised of development projects and results for new product lines.

We prepared the financial results for our 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. 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.

Effective January 1, 2009, we began providing U.S. income tax expense (or benefit) on U.S. earnings (losses) due to the change in our conclusion about the realizability of our U.S. deferred tax assets in 2008. As a result of the change in our tax position, we adjusted the allocation of taxes to our reportable segments in 2009 to reflect this difference. The impact of changing our allocation methodology was not significant.

Display Technologies

(dollars in millions):

				% change	
	2011	2010	2009	11 vs. 10	10 vs. 09
Net sales	**$ 3,145**	$ 3,011	$ 2,426	4	24
Equity earnings of affiliated companies	**$ 1,027**	$ 1,452	$ 1,102	(29)	32
Net income	**$ 2,349**	$ 2,993	$ 1,992	(22)	50

2011 vs. 2010

The end market for LCD televisions was up slightly, with unit growth rates remaining consistent with or exceeding our expectations across all geographic regions. Additionally, larger-sized LCD televisions were the fastest growing size category in 2011 and have resulted in area growth rates that were even higher than unit growth rates. However, because Corning sells to panel makers and not to end market consumers, supply chain expansion and contraction for this industry are key factors in Corning s sales volume. While end market demand continues to grow in all LCD applications, inventory levels within the LCD supply chain have not kept pace with this growth, and have, in fact, declined in absolute terms during 2011 when compared to 2010, resulting in lower volume and excess capacity in the supply chain. As a result, Corning announced in the fourth quarter of 2011 that it would reduce capacity at our wholly-owned business by delaying the start-up of new glass melting tanks, as well as postponing the relight of tanks that were removed from service for normal repair. Our equity affiliate, Samsung Corning Precision, took similar actions in the fourth quarter of 2011.

The slight increase in net sales in the Display Technologies segment in 2011, compared to 2010, was driven primarily by the favorable impact of approximately $300 million from movements in foreign exchange rates. Net sales of this segment are denominated in Japanese yen and, as a result, are susceptible to movements in the U.S. dollar-Japanese yen exchange rate. Volume growth in 2011 was more than offset by price declines, when compared to 2010.

When compared to 2010, the decrease in equity earnings from Samsung Corning Precision in 2011 reflected volume and price declines, offset somewhat by the favorable impact of approximately $120 million from movements in foreign exchange rates. Equity earnings of Samsung Corning Precision are impacted by movements in both the U.S. dollar - Japanese yen and U.S. dollar - Korean won exchange rates. The impact of the supply chain contraction and excess capacity has been more severe in Korea, resulting in higher price and volume declines at Samsung Corning Precision than at our wholly-owned business. Additionally, in the fourth quarter of 2011, although Samsung Corning Precision significantly reduced its glass pricing in light of the current state of glass supply in the industry, it did not recover market share that was lost in the third quarter. Due to these market dynamics, Samsung Corning Precision reduced its glass melting capacity, as described above. Equity earnings were also negatively impacted by higher taxes due to the partial expiration of a Korean tax holiday and the absence of a $61 million credit for our share of a revised tax holiday calculation agreed to by the Korean National Tax service recorded in 2010.

When compared to 2010, the decrease in net income in the Display Technologies segment in 2011 reflects the impact of lower equity earnings, price declines and a decrease in royalty income, partially offset by improved manufacturing efficiency and the favorable impact of approximately $230 million from foreign exchange rate movements. Net income was also negatively impacted by the absence of a pre-tax credit recorded in 2010 in the amount of $324 million as settlement of business interruption and property damage insurance claims.

A number of Corning s patents and know-how are licensed to Samsung Corning Precision, as well as to third parties, which generates royalty income. Royalty income from Samsung Corning Precision decreased in 2011, when compared to 2010, reflecting the decline in sales volume at Samsung Corning Precision. Corning and Samsung Corning Precision have agreed that, for a five-year period commencing December 1, 2011, the applicable royalty rate will be reduced by approximately 50% compared to the prior five years. Refer to Note 7 (Investments) to the Consolidated Financial Statements for more information about related party transactions.

2010 vs. 2009

The increase in net sales in 2010 when compared to 2009 reflected an increase in volume of more than 25% and the positive impact of $179 million from movements in foreign exchange rates, offset by price declines of 8%. Volume gains in 2010 were led by strong growth in demand for LCD televisions outside of the United States, coupled with a replenishment of this industry s supply chain.

Equity earnings of Samsung Corning Precision in 2010 increased by 32% when compared to 2009 due to volume gains of almost 20%, improved manufacturing performance, and by the positive impact of $90 million from movements in foreign exchange rates, offset somewhat by price declines of 7%. Equity earnings of Samsung Corning Precision are impacted by movements in both the U.S. dollar - Japanese yen and U.S. dollar - Korean won exchange rates. Equity earnings were also positively impacted by a $61 million credit for our share of a revised Samsung Corning Precision tax holiday calculation agreed to by the Korean National Tax service.

When compared to 2009, the increase in net income in 2010 primarily reflects the impact of the volume increases described above at both our wholly-owned business and Samsung Corning Precision and the impact of an insurance settlement for business interruption and property damage insurance claims, partially offset by price declines. The insurance settlement relates to two events in 2009 which impacted production at our LCD glass manufacturing facilities. In August 2009, an earthquake halted production at one of our LCD glass manufacturing facilities in Japan and, in October 2009, production at our facility in Taichung, Taiwan was impacted by a power disruption. We recorded a pre-tax credit in 2010 in the amount of $324 million as settlement of business interruption and property damage insurance claims related to these two events. Results also improved due to the absence of $31 million of restructuring charges impacting 2009 net income. Net income included royalty income from Samsung Corning Precision that was higher in 2010 when compared to 2009, reflecting the improvements in sales volume at Samsung Corning Precision. Net income in 2010 also includes the favorable impact of $182 million from movements in foreign exchange rates when compared to 2009.

Other Information

The Display Technologies segment has a concentrated customer base comprised of LCD panel and color filter makers primarily located in Japan, China and Taiwan. In 2011, four customers of the Display Technologies segment, which individually accounted for more than 10% of segment net sales, accounted for a combined 77% of total segment sales. For 2010 and 2009, three customers of the Display Technologies segment, which individually accounted for more than 10% of segment net sales, accounted for 72% and 62%, respectively, of total segment sales when totaled. Our customers face the same global economic dynamics as we do in this market. While we are not aware of any significant customer credit issues, our near-term sales and profitability would be impacted if any of these significant customers were unable to continue to purchase our products.

In addition, Samsung Corning Precision s sales are concentrated across a small number of its customers. In 2011, 2010 and 2009, sales to two LCD panel makers located in Korea accounted for approximately 93% of Samsung Corning Precision sales in each of those three years.

Corning has invested heavily to expand capacity to meet the projected demand for LCD glass substrates. In 2011, 2010 and 2009, capital spending in this segment was $1.3 billion, $497 million, and $552 million, respectively. We expect capital spending for 2012 to be approximately $800 million, of which approximately $400 million will be related to spending from 2011 capital projects.

In 2005 and 2004, several of Corning s customers entered into long-term purchase and supply agreements in which Corning s Display Technologies segment would supply large-size glass substrates to these customers over periods of up to six years. As part of the agreements, these customers agreed to advance cash deposits to Corning for a portion of the contracted glass to be purchased. We received our last deposit of $105 million in July 2007 and do not expect to receive additional deposits related to these agreements. During 2011, 2010 and 2009, we issued $28 million, $83 million, and $253 million, respectively, in credits that were applied to customer receivable balances when payments were due. As of December 31, 2011, no additional deposits have been received and all amounts previously owed as credits have been applied to customer receivable balances when payments were due. Refer to Note 11 (Other Liabilities) to the Consolidated Financial Statements for additional information.

Outlook:

We expect the overall LCD glass retail market to increase from 3.2 billion square feet in 2011 to approximately 3.6 billion square feet in 2012. We believe that the long-term market drivers will be LCD television growth, driven by growth of larger-sized LCD televisions and increased demand in emerging regions, as well as continued growth in the personal computer market.

In the first quarter of 2012, we expect volume at our wholly-owned business to be consistent with the fourth quarter of 2011. We anticipate volume at Samsung Corning Precision to be flat to down in the double-digits, depending upon the outcome of negotiations with a key customer, when compared to the fourth quarter of 2011. We expect cumulative double-digit price declines over the two-quarter period beginning in the fourth quarter of 2011.

The end market demand for LCD televisions, monitors and notebooks is dependent on consumer retail spending, among other things. We are cautious about the potential negative impacts that economic conditions, particularly a global economic recession, excess market capacity and world political tensions could have on consumer demand. While the industry has grown rapidly in recent years, economic volatility along with consumer preferences for panels of differing sizes, prices, or other factors may lead to pauses in market growth. Therefore, it is possible that glass manufacturing capacity may exceed demand from time to time. We may incur further charges in this segment to reduce our workforce and consolidate capacity. In addition, changes in foreign exchange rates, principally the Japanese yen, will continue to impact the sales and profitability of this segment.

Telecommunications

(dollars in millions):

				% change	
	2011	2010	2009	11 vs. 10	10 vs. 09
Net sales:					
Optical fiber and cable	**$ 1,051**	$ 878	$ 909	20	(3)
Hardware and equipment	**1,021**	834	768	22	9
Total net sales	**$ 2,072**	$ 1,712	$ 1,677	21	2
Net income	**$ 195**	$ 98	$ 19	99	416

2011 vs. 2010

In 2011, net sales of the Telecommunications segment increased when compared to 2010 due to higher sales in all of the segment s product lines, led by fiber-to-the-premises, optical fiber and cable, and enterprise network products. Sales of fiber-to-the-premises products increased 39%, driven by initiatives in Canada, Europe and Australia. Optical fiber and cable sales growth reflected record volume, moderating price declines and an increase in sales of premium products. Sales also increased due to a small acquisition completed in the first quarter of 2011 and the positive impact from movements in foreign exchange rates in the amount of $20 million.

The increase in net income in 2011 when compared to 2010 reflects higher volume across all product lines and an increase in sales of higher margin products, coupled with a credit in the amount of $27 million for the decrease in a contingent liability associated with a first quarter acquisition. The increase in net income was offset slightly by the impact of higher raw materials and project costs associated with our initiatives in Australia and Europe. Movements in foreign exchange rates did not have a significant impact on the comparability of net income for the periods presented.

The Telecommunications segment has a concentrated customer base. In 2011, one customer of the Telecommunications segment accounted for 12% of total segment net sales. In 2010, one customer of the Telecommunications segment accounted for 15% of total segment net sales. In 2009, one customer of the Telecommunications segment accounted for 12% of total segment net sales.

2010 vs. 2009

Net sales for the segment were up when compared to 2009. Higher sales of enterprise network products and optical fiber and cable in North America and Europe were offset somewhat by lower sales of fiber-to-the-premises products and optical fiber and cable products in Asia, as well as the absence of sales from two businesses sold in 2009. Sales from the two businesses sold totaled $49 million. Net sales in 2010 were negatively impacted by $11 million from movements in foreign exchange rates, when compared to 2009.

The increase in net income in 2010 reflected the absence of restructuring charges from 2009, volume strength in enterprise network products, and the impact of improved manufacturing efficiency and cost reduction efforts. Net income of this segment in 2009 included $42 million of restructuring charges associated with the Company s corporate-wide restructuring plan to reduce its global workforce. Net income in 2010 includes the favorable impact of $10 million from movements in foreign exchange rates, when compared to 2009.

Outlook:

We expect another strong year of sales growth in the Telecommunications segment in 2012, driven by an increase in global demand for our optical fiber and cable, fiber-to-the-premises and enterprise network products. In the first quarter of 2012, we expect net sales of this segment to increase between 5% and 10% when compared to the fourth quarter of 2011.

Changes in our customers expected deployment plans, or additional reductions in their inventory levels of fiber-to-the-premises products, could also affect sales levels. Should these plans not occur at the pace anticipated, our sales and earnings would be adversely affected.

Environmental Technologies

(dollars in millions):

				% change	
	2011	2010	2009	11 vs. 10	10 vs. 09
Net sales:					
Automotive	**$ 476**	$ 462	$ 360	3	28
Diesel	**522**	354	230	47	54
Total net sales	**$ 998**	$ 816	$ 590	22	38
Net income (loss)	**$ 121**	$ 43	$ (42)	181	*

* The percentage change calculation is not meaningful.

2011 vs. 2010

When compared to 2010, net sales in the Environmental Technologies segment increased in 2011, primarily due to higher sales of diesel products. The increase was driven by an increase in truck production in the United States, implementation of European governmental regulations on light duty diesel vehicles, and the first stages of the implementation of off-road vehicle regulations in the United States. Sales of our automotive products also increased slightly in 2011, when compared to 2010, reflecting the continuing growth of worldwide automotive production. Net sales of this segment in 2011 were positively impacted by $13 million due to movements in foreign exchange rates when compared to 2010.

Net income in 2011 increased 181%, when compared to 2010, due to higher sales volume for our diesel products, combined with reduced air freight expense and improved manufacturing performance in both diesel and automotive product lines. The increase in net income was slightly offset by higher depreciation and project costs on manufacturing capacity expansion. Movements in foreign exchange rates negatively impacted the results of this segment in the amount of $3 million when compared to 2010.

The Environmental Technologies segment sells to a concentrated customer base of catalyzer and emission control systems manufacturers, who then sell to automotive and diesel engine manufacturers. Although our sales are to the emission control systems manufacturers, the use of our substrates and filters is generally required by the specifications of the automotive and diesel vehicle or engine manufacturers. For 2011, three customers of the Environmental Technologies segment, which individually accounted for more than 10% of segment sales, accounted for 85% of total segment sales. For 2010, three customers of the Environmental Technologies segment, which individually accounted for more than 10% of segment sales, accounted for 86% of total segment sales. For 2009, net sales to those same three customers accounted for 85% of total segment sales. While we are not aware of any significant customer credit issues with our direct customers, our near-term sales and profitability would be impacted if any individual customers were unable to continue to purchase our products.

2010 vs. 2009

Net sales for the Environmental Technologies segment in 2010 were up 38% when compared to 2009 and reflected higher volumes of both automotive and diesel products, offset somewhat by unfavorable foreign exchange rate movements. In 2009, automotive vehicle sales declined with the worldwide recession and production was significantly below vehicle sales volumes as manufacturers and dealers decreased inventories. In 2010, as automotive markets in the United States and Europe improved and China continued to expand, manufacturers and dealers increased inventories and production levels, resulting in a 25% increase in automotive production when compared to 2009. Diesel product sales increased 54% reflecting an improvement in the truck market in the United States and implementation of governmental regulations in Europe. Net sales of this segment in 2010 were negatively impacted by $11 million due to movements in foreign exchange rates when compared to 2009.

Net income in 2010 increased due to higher sales volumes and improvements in manufacturing performance, offset somewhat by higher freight costs, when compared to 2009. Net income in 2010 also reflected the absence of restructuring charges in comparison to the previous year. In 2009, net loss of this segment included $28 million of restructuring charges associated with the Company s corporate-wide restructuring plan to reduce its global workforce in response to anticipated lower sales in 2009. Net income in 2010 included the negative impact of $9 million from movements in foreign exchange rates when compared to 2009.

Outlook:

We expect net sales of this segment to continue to be strong in 2012, due to strong growth in demand for diesel products in the United States freight market and related truck production, and continued implementation of governmental regulations of non-road regulations in the United States and Europe. In the first quarter of 2012, we expect net sales of this segment to be up slightly when compared to the fourth quarter of 2011.

Specialty Materials

(dollars in millions):

				% change	
	2011	2010	2009	11 vs. 10	10 vs. 09
Net sales	**$ 1,074**	$ 578	$ 331	86	75
Net loss	**$ (36)**	$ (32)	$ (54)	*	*

* The percentage change calculation is not meaningful.

2011 vs. 2010

The Specialty Materials segment manufactures products that provide more than 150 material formulations for glass, glass ceramics and fluoride crystals to meet demand for unique customer needs. Consequently, this segment operates in a wide variety of commercial and industrial markets that include display optics and components, semiconductor optics components, aerospace and defense, astronomy, ophthalmic products, telecommunications components and a protective cover glass that is optimized for portable display devices and televisions.

Net sales in 2011 increased significantly in the Specialty Materials segment, driven by sales of Corning Gorilla Glass, which more than doubled when compared to last year, and a modest increase in semiconductor optics and aerospace and defense products. Movements in foreign exchange rates did not significantly impact net sales of this segment in 2011. Sales of Corning Gorilla Glass increased considerably, especially during the first nine months of the year, due to a combination of strong retail demand for handheld display devices, tablets and notebook computers, and increased usage of our glass on these devices. Although sales of Corning Gorilla Glass used in our large cover glass products increased in 2011 when compared to 2010, sales were significantly below our expectations in 2011 and are expected to be lower than forecasted in 2012. As a result, certain assets located in Japan used in the ion exchange process for the production of large cover glass were impaired in the fourth quarter of 2011. This asset group includes machinery and equipment used in the ion exchange process and facilities dedicated to the ion exchange process. The Specialty Materials segment reduced capacity for its Corning Gorilla Glass products, including the impairment of large cover glass assets, in the fourth quarter of 2011 as part of Corning s worldwide capacity reduction of approximately 25%.

The slight increase in net loss in 2011 when compared to 2010 was driven by the large cover glass asset impairment charge in the amount of $130 million (pre-tax), offset by the considerable increase in sales volume of our Corning Gorilla Glass used in handheld display devices, tablets and notebook computers. Net income was also impacted somewhat by declines in manufacturing efficiency caused primarily by start-up costs for large cover glass and glass tank conversions necessary to increase manufacturing capacity for Corning Gorilla Glass in 2011, as well as the negative impact of movements in foreign exchange rates in the amount of $22 million.

For 2011, two customers of the Specialty Materials segment, which individually accounted for more than 10% of segment sales, accounted for 42% of total segment sales. For 2010, three customers of the Specialty Materials segment, which individually accounted for more than 10% of segment sales, accounted for 43% of total segment sales. In 2009, there were no individual customers that accounted for 10% or more of this segment s net sales.

2010 vs. 2009

Net sales increased in 2010 due to higher sales of Corning Gorilla Glass and an increase in sales of display components and semiconductor optics and components when compared to 2009. Sales of Corning Gorilla Glass increased as the Company moved to capitalize on market opportunities for this product.

The lower net loss in 2010 was driven by higher sales of our Corning Gorilla Glass products and the absence of restructuring charges, offset somewhat by the costs associated with adding capacity. The net loss in 2009 includes $17 million of restructuring charges for the Company s corporate-wide restructuring plan to reduce its global workforce. In 2010, movements in foreign exchange rates did not significantly impact net sales or net income of this segment.

Outlook:

For 2012, we expect sales of this segment to be led by Corning Gorilla Glass. In the first quarter of 2012, we expect net sales to be up slightly driven by Corning Gorilla Glass, when compared to the fourth quarter of 2011.

Life Sciences

(dollars in millions):

				% change	
	2011	2010	2009	11 vs. 10	10 vs. 09
Net sales	**$ 595**	$ 508	$ 366	17	39
Net income	**$ 61**	$ 60	$ 39	*	54

* The percentage change calculation is not meaningful.

2011 vs. 2010

Net sales in 2011 increased when compared to 2010 due to a small acquisition completed in the fourth quarter of 2010 and higher sales in the segment s existing product lines. Net sales in 2011 include the favorable impact of $7 million from movements in foreign exchange rates when compared to 2010.

Net income in 2011 was consistent with 2010, reflecting costs for manufacturing expansion projects, higher raw materials costs and the impact of the integration of the acquisition completed in 2010, offset by modest volume and price increases. Net income of this segment was positively impacted by $4 million due to movements in foreign exchange rates when compared to the prior year.

For 2011, two customers in the Life Sciences segment which individually accounted for more than 10% of total segment net sales collectively accounted for 39% of total segment sales. For 2010, two customers in the Life Sciences segment which individually accounted for more than 10% of total segment net sales collectively accounted for 37% of total segment sales. For 2009, two customers in the Life Sciences segment which individually accounted for more than 10% of total segment net sales collectively accounted for 45% of total segment sales.

2010 vs. 2009

The increase in net sales in 2010 was driven primarily by the acquisition of Axygen, which was completed in the third quarter of 2009, and a small acquisition completed in the fourth quarter of 2010. These acquisitions supported the Company s strategy to expand Corning s portfolio of life sciences products and enhance global customer access in this business, and accounted for $117 million of the increase in sales in 2010 when compared to 2009. The segment s existing products lines also showed strong sales growth in 2010, improving $25 million when compared to 2009.

The improvement in net income in 2010 reflected the sales increases as described above, offset somewhat by higher cost of materials and expenses associated with the integration of Axygen. Net income for 2010 also reflected the absence of restructuring charges when compared to 2009. For 2009, net income of this segment included $8 million of restructuring charges associated with the Company s corporate-wide restructuring plan. Movements in foreign exchange rates did not significantly impact the net sales or net income for this operating segment.

Outlook:

Sales of the Life Sciences segment for 2012 are expected to be strong, primarily due to an increase in organic sales and the impact of a small acquisition completed in the fourth quarter of 2011. In the first quarter of 2012, we expect net sales to be up approximately 10% when compared to the fourth quarter of 2011, driven partially by the impact of a full quarter of results for the small acquisition completed at the end of the fourth quarter of 2011.

All Other

(dollars in millions):

				% change	
	2011	2010	2009	11 vs. 10	10 vs. 09
Net sales	**$ 6**	$ 7	$ 5	(14)	40
Research, development and engineering expenses	**$ 98**	$ 114	$ 125	(14)	(9)
Equity earnings of affiliated companies	**$ 15**	$ 45	$ 32	(67)	41
Net loss	**$ (78)**	$ (75)	$ (80)	*	*

* The percentage change calculation is not meaningful.

All Other includes all other segments that do not meet the quantitative threshold for separate reporting. This group is primarily comprised of development projects that involve the use of various technologies for new products such as advanced flow reactors, thin-film photovoltaics and adjacency businesses in pursuit of thin, strong glass. This segment also includes results for certain corporate investments such as Samsung Corning Precision s non-LCD glass businesses, Eurokera and Keraglass equity affiliates, which manufacture smooth cooktop glass/ceramic products, and Corsam Technologies LLC (Corsam), an equity affiliate established between Corning and Samsung Corning Precision to provide glass technology research. Refer to Note 7 (Investments) to the Consolidated Financial Statements for additional information about Samsung Corning Precision and related party transactions.

2011 vs. 2010

The increase in net loss in 2011 when compared to 2010 in this segment was driven by lower equity earnings from Samsung Corning Precision s non-LCD glass businesses, partially offset by lower research, development and engineering expenses.

2010 vs. 2009

The decrease in the net loss in this segment for 2010 is primarily due to improved equity earnings from corporate investments and lower operating costs, offset by the costs of exiting our synthetic green laser program and the start-up costs for new business development projects.

LIQUIDITY AND CAPITAL RESOURCES

Financing and Capital Structure

The following items impacted Corning s financing and capital structure during 2011 and 2010:

On October 5, 2011, Corning s Board of Directors approved the repurchase of up to $1.5 billion of common stock between the date of the announcement and December 31, 2013. We repurchased 55 million shares of common stock for $780 million in the fourth quarter of 2011 as part of this program.

In the second quarter of 2011, a wholly-owned subsidiary entered into a credit facility that allows Corning to borrow up to Chinese Renminbi (RMB) 4.0 billion, or approximately $635 million when translated to United States dollars. Corning may request advances during the eighteen month period beginning on June 30, 2011 (the Availability Period). Corning will repay the aggregate principal amount and accrued interest outstanding at the end of the Availability Period in six installments, with the final payment due five years from the date of the first advance. Amounts borrowed are being used to finance capital expenditures related to the construction of a LCD glass substrate facility in Beijing, China. During 2011, Corning borrowed approximately $120 million on this credit facility.

In the fourth quarter of 2010, we completed the following debt-related transactions:

- We borrowed $1.1 billion under our revolving credit facility. Corning used the funds in connection with a previously announced plan to repatriate approximately $1.1 billion to the United States. The borrowing was repaid in full on December 16, 2010.
- We exercised our option to repurchase $100 million of 6.05% senior unsecured notes due June 15, 2015 at par. The net carrying amount of the debt repurchased was $100 million.

In the fourth quarter of 2010, we received a special dividend of almost $900 million, net of applicable withholding taxes, from our equity affiliate Samsung Corning Precision.

In the third quarter of 2010, we completed the following debt-related transactions:

- We issued $400 million of 5.75% senior unsecured notes that mature on August 15, 2040 and $300 million of 4.25% senior unsecured notes that mature on August 15, 2020. The net proceeds of $689 million from the offering were used to fund the repurchase of debt securities and for general corporate purposes.
- We repurchased $126 million of our 6.2% senior unsecured notes due 2016 and $100 million of our 5.9% senior unsecured notes due 2014 and recognized a pre-tax loss of $30 million upon the early redemption of these notes.

In the first quarter of 2010, we repaid $58 million of debt, which included the redemption of $48 million principal amount of our 6.25% notes due February 18, 2010.

On October 5, 2011, Corning s Board of Directors declared a 50% increase in the company s quarterly common stock dividend. Corning s quarterly dividend increased from $0.05 per share to $0.075 per share.

In December 2010, we amended and restated our revolving credit facility to provide a $1.0 billion committed, unsecured multi-currency revolving line of credit through December 2015. The facility includes two financial covenants: a leverage ratio and an interest coverage ratio. At December 31, 2011 and 2010, we were in compliance with both financial covenants.

Capital Spending

Capital spending totaled $2.4 billion, $1.0 billion and $0.9 billion in 2011, 2010 and 2009, respectively. Capital spending increased significantly in 2011 when compared to 2010 and 2009, driven largely by several multi-year investment plans announced in 2010 that will increase manufacturing capacity in several of our reportable segments. Specifically, the increase in spending in 2011 was driven by construction costs for an LCD glass substrate facility in China for our Display Technologies segment and a capacity expansion project for Specialty Materials Corning Gorilla Glass in Japan. We expect our 2012 capital spending to be about $1.8 billion. Approximately $800 million will be allocated to our Display Technologies segment, of which approximately $400 million will be related to 2011 capital projects.

Cash Flows

Summary of cash flow data (in millions):

	Years ended December 31,		
	2011	2010	2009
Net cash provided by operating activities	**$ 3,189**	$ 3,835	$ 2,077
Net cash used in investing activities	**$ (2,056)**	$ (1,769)	$ (1,370)
Net cash used in financing activities	**$ (980)**	$ (2)	$ (15)

2011 vs. 2010

Net cash provided by operating activities decreased in 2011 when compared to 2010, driven largely by a non-recurring special dividend of almost $900 million received from Samsung Corning Precision in 2010 and a decrease in cash from changes in working capital. Additionally, in 2011, we received $66 million for the remainder of the settlement of business interruption and property damage insurance claims, a decrease of $193 million from the amount we received in 2010 as partial payment for these claims. These negative events were partially offset by a $350 million decrease in contributions to our defined benefit pension plans in 2011.

Net cash used in investing activities was higher in 2011 when compared to 2010 due to an increase in capital spending and two small acquisitions completed in 2011. Capital spending was driven primarily by capacity projects to support growth in demand in our Display Technologies and Specialty Materials segments. The increase in net cash used in investing activities was partially offset by higher cash received from short-term investments liquidations.

Net cash used in financing activities increased in 2011 when compared to 2010, driven by common stock repurchases and an increase in our dividend rate from $0.05 per share to $0.075 per share in the fourth quarter of 2011.

2010 vs. 2009

Operating cash flow increased significantly in 2010 when compared to 2009, driven largely by a special dividend of almost $900 million received from Samsung Corning Precision. We also recorded a credit in the amount of $324 million as settlement of business interruption and property damage insurance claims, and received cash totaling $259 million from our panel of insurance carriers representing a partial payment of this settlement. Additionally, we issued less credits against customer deposits in 2010 when compared to 2009. These positive events were partially offset by higher contributions to our defined benefit pension plan in 2010 and the decrease in cash from changes in working capital.

Net cash used in investing activities was higher in 2010 when compared to 2009 due to an increase in short-term investment purchases and higher capital expenditures, offset by lower costs for the acquisition of businesses.

Net cash provided by financing activities increased in 2010 primarily due to the increase in proceeds received from the exercise of stock options, offset somewhat by the net cash impact of financing activities.

Defined Benefit Pension Plans

We have defined benefit pension plans covering certain domestic and international employees. Our largest single pension plan is Corning s U.S. qualified plan. At December 31, 2011, this plan accounted for 81% of our consolidated defined benefit pension plans projected benefit obligation and 91% of the related plans assets.

We have historically contributed to the U.S. qualified pension plan on an annual basis in excess of the IRS minimum requirements, and as a result, mandatory contributions are not expected to be required for this plan until some time after 2013. In 2011, we made no voluntary cash contributions to our domestic defined benefit pension plan and $5 million to our international pension plans. In 2010, we made voluntary cash contributions of $350 million to our domestic defined benefit pension plan and $5 million to our international pension plans.

In 2008, we experienced significant negative returns on our pension assets for our primary defined benefit plan as a result of deteriorating financial market conditions which increased pension expense for 2009 by $33 million. In 2011, 2010 and 2009, actual investment experience on the pension assets of our primary defined benefit plan was favorable driven by the performance of public equity markets, commodities and long duration fixed income securities.

Although we will not be subject to any mandatory contributions in 2012, we anticipate making voluntary cash contributions of up to $75 million to our U.S. pension plan and up to $30 million to our international pension plans in 2012.