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

	Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Net sales	$ 1,887	$ 1,765	$ 7,890	$ 6,632
Cost of sales	1,062	998	4,324	3,583
Gross margin	825	767	3,566	3,049
Operating expenses:				
Selling, general and administrative expenses (Note 1)	283	284	1,033	1,015
Research, development and engineering expenses	177	166	671	603
Amortization of purchased intangibles	4	2	15	8
Restructuring, impairment and other charges (credits) (Note 2)	129	(326)	129	(329)
Asbestos litigation charge (credit) (Note 3)	9	(8)	24	(49)
Operating income	223	649	1,694	1,801
Equity in earnings of affiliated companies (Note 4)	321	511	1,471	1,958
Interest income	4	3	19	11
Interest expense	(17)	(28)	(89)	(109)
Other income, net	21	54	118	184
Income before income taxes	552	1,189	3,213	3,845
Provision for income taxes (Note 5)	(61)	(145)	(408)	(287)
Net income attributable to Corning Incorporated	$ 491	$ 1,044	$ 2,805	$ 3,558
Earnings per common share attributable to Corning Incorporated:				
Basic (Note 6)	$ 0.32	$ 0.67	$ 1.80	$ 2.28
Diluted (Note 6)	$ 0.31	$ 0.66	$ 1.77	$ 2.25
Dividends declared per common share	$ 0.08	$ 0.05	$ 0.23	$ 0.20

See accompanying notes to these financial statements.

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

	December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 4,661	$ 4,598
Short-term investments, at fair value	1,164	1,752
Total cash, cash equivalents and short-term investments	5,825	6,350
Trade accounts receivable, net of doubtful accounts and allowances	1,082	973
Inventories	975	738
Deferred income taxes	448	431
Other current assets	347	367
Total current assets	8,677	8,859
Investments	4,726	4,372
Property, net of accumulated depreciation	10,671	8,943
Goodwill and other intangible assets, net	926	716
Deferred income taxes	2,652	2,790
Other assets	196	153
Total Assets	$ 27,848	$ 25,833
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 27	$ 57
Accounts payable	977	798
Other accrued liabilities	1,093	1,131
Total current liabilities	2,097	1,986
Long-term debt	2,364	2,262
Postretirement benefits other than pensions	897	913
Other liabilities	1,361	1,246
Total liabilities	6,719	6,407
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value $0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,636 million and 1,626 million	818	813
Additional paid-in capital	13,041	12,865
Retained earnings	9,332	6,881
Treasury stock, at cost; Shares held: 121 million and 65 million	(2,024)	(1,227)
Accumulated other comprehensive (loss) income	(89)	43
Total Corning Incorporated shareholders' equity	21,078	19,375
Noncontrolling interests	51	51
Total equity	21,129	19,426
Total Liabilities and Equity	$ 27,848	$ 25,833

See accompanying notes to these financial statements.

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

	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Cash Flows from Operating Activities:				
Net income	$ 491	$ 1,044	$ 2,805	$ 3,558
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	243	222	942	846
Amortization of purchased intangibles	4	2	15	8
Asbestos litigation charges (credits)	9	(8)	24	(49)
Restructuring, impairment and other credits	129	(326)	129	(329)
Cash received from settlement of insurance claims		259	66	259
Loss on retirement of debt				30
Stock compensation charges	20	15	86	92
Earnings of affiliated companies less than (in excess of) dividends received	35	850	(651)	(246)
Deferred tax (benefit) provision	(3)	83	115	68
Restructuring payments	(1)	(8)	(16)	(66)
Credits issued against customer deposits	(7)	(7)	(28)	(83)
Employee benefit payments less than (in excess of) expense	27	(184)	132	(265)
Changes in certain working capital items:				
Trade accounts receivable	98	(100)	(84)	(162)
Inventories	(31)	(13)	(201)	(160)
Other current assets	29	17	(20)	42
Accounts payable and other current liabilities, net of restructuring payments	80	184	(27)	192
Other, net	34	62	(98)	100
Net cash provided by operating activities	1,157	2,092	3,189	3,835
Cash Flows from Investing Activities:				
Capital expenditures	(766)	(473)	(2,432)	(1,007)
Acquisitions of businesses, net of cash received	(67)	(63)	(215)	(63)
Net proceeds from sale or disposal of assets			2	1
Short-term investments – acquisitions	(389)	(768)	(2,582)	(2,768)
Short-term investments – liquidations	745	743	3,171	2,061
Other, net	1	1		7
Net cash used in investing activities	(476)	(560)	(2,056)	(1,769)
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(2)	(5)	(24)	(75)
Principal payments under capital lease obligations		(8)	(32)	(9)
Proceeds from issuance of long-term debt, net	86		120	689
Retirements of long-term debt, net		(100)		(364)
Proceeds from issuance of common stock, net				15
Proceeds from the exercise of stock options	8	16	90	55
Repurchases of common stock for treasury	(780)		(780)	
Dividends paid	(117)	(78)	(354)	(313)
Net cash used in financing activities	(805)	(175)	(980)	(2)
Effect of exchange rates on cash	(116)	(61)	(90)	(7)
Net increase in cash and cash equivalents	(240)	1,296	63	2,057
Cash and cash equivalents at beginning of period	4,901	3,302	4,598	2,541
Cash and cash equivalents at end of period	$ 4,661	$ 4,598	$ 4,661	$ 4,598

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
SEGMENT RESULTS
(Unaudited; in millions)

Our reportable operating segments include Display Technologies, Telecommunications, Environmental Technologies, Specialty Materials and Life Sciences.

	Display Technologies	Telecom-munications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Three months ended December 31, 2011							
Net sales	$ 780	$ 490	$ 234	$ 238	$ 143	$ 2	$ 1,887
Depreciation (1)	$ 133	$ 32	$ 28	$ 36	$ 9	$ 4	$ 242
Amortization of purchased intangibles		$ 2			$ 2		$ 4
Research, development and engineering expenses (2)	$ 18	$ 35	$ 23	$ 37	$ 7	$ 30	$ 150
Restructuring, impairment and other charges (3)		$ (1)		$ 130			$ 129
Equity in earnings of affiliated companies	$ 192	$ (1)		$ (9)		$ 2	$ 184
Income tax (provision) benefit	$ (126)	$ (11)	$ (14)	$ 52	$ (5)	$ 11	$ (93)
Net income (loss) (5)	$ 492	$ 26	$ 28	$ (105)	$ 10	$ (26)	$ 425
Three months ended December 31, 2010							
Net sales	$ 750	$ 443	$ 232	$ 197	$ 140	$ 3	$ 1,765
Depreciation (1)	$ 127	$ 29	$ 28	$ 29	$ 8	$ 3	$ 224
Amortization of purchased intangibles					$ 2		$ 2
Research, development and engineering expenses (2)	$ 24	$ 31	$ 26	$ 26	$ 3	$ 34	$ 144
Restructuring, impairment and other credits (3)	$ (324)	$ (2)					$ (326)
Equity in earnings of affiliated companies (4)	$ 369	$ 2				$ 13	$ 384
Income tax (provision) benefit	$ (227)	$ (8)	$ (8)	$ (1)	$ (6)	$ 16	$ (234)
Net income (loss) (5)	$ 886	$ 19	$ 16	$ (3)	$ 12	$ (29)	$ 901
Year ended December 30, 2011							
Net sales	$ 3,145	$ 2,072	$ 998	$ 1,074	$ 595	$ 6	$ 7,890
Depreciation (1)	$ 511	$ 123	$ 107	$ 156	$ 34	$ 12	$ 943
Amortization of purchased intangibles		$ 7		$ 1	$ 7		$ 15
Research, development and engineering expenses (2)	$ 91	$ 125	$ 96	$ 137	$ 19	$ 98	$ 566
Restructuring, impairment and other charges (3)		$ (1)		$ 130			$ 129
Equity in earnings of affiliated companies	$ 1,027	$ 3	$ 1	$ 4		$ 15	$ 1,050
Income tax (provision) benefit	$ (501)	$ (82)	$ (58)	$ 24	$ (29)	$ 39	$ (607)
Net income (loss) (5)	$ 2,349	$ 195	$ 121	$ (36)	$ 61	$ (78)	$ 2,612
Year ended December 30, 2010							
Net sales	$ 3,011	$ 1,712	$ 816	$ 578	$ 508	$ 7	$ 6,632
Depreciation (1)	$ 513	$ 118	$ 105	$ 72	$ 32	$ 12	$ 852
Amortization of purchased intangibles		$ 1			$ 7		8
Research, development and engineering expenses (2)	$ 90	$ 115	$ 96	$ 87	$ 16	$ 114	$ 518
Restructuring, impairment and other credits (3)	$ (324)	$ (3)		$ (2)			$ (329)
Equity in earnings of affiliated companies (4)	$ 1,452	$ 3	$ 5			$ 45	$ 1,505
Income tax (provision) benefit	$ (618)	$ (46)	$ (20)	$ 13	$ (30)	$ 50	$ (651)
Net income (loss) (5)	$ 2,993	$ 98	$ 43	$ (32)	$ 60	$ (75)	$ 3,087

(1) Depreciation expense for Corning's reportable segments includes an allocation of depreciation of corporate property not specifically identifiable to a segment.

(2) Research, development, and engineering expense includes direct project spending which is identifiable to a segment.

(3) In the three months and the year ended December 31, 2011, restructuring, impairment and other charges includes $130 million impairment charge in the Specialty Materials segment related to certain long-lived assets. In the three months and year ended December 31, 2010, restructuring, impairment and other credits includes $324 million on the settlement of business interruption and property damage insurance claims in the Display Technologies segment resulting from earthquake activity near the Shizuoka, Japan facility and a power disruption at the Taichung, Taiwan facility in 2009.

(4) In the three months and year ended December 31, 2010, equity in earnings of affiliated companies includes a $61 million credit in the Display Technologies segment for our share of a revised Samsung Corning Precision tax holiday calculation agreed to by the Korean National Tax service.

(5) Many of Corning's administrative and staff functions are performed on a centralized basis. Where practicable, Corning charges these expenses to segments based upon the extent to which each business uses a centralized function. Other staff functions, such as corporate finance, human resources and legal are allocated to segments, primarily as a percentage of sales.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
SEGMENT RESULTS
(Unaudited; in millions)

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

	Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Net income of reportable segments	$ 451	$ 930	$ 2,690	$ 3,162
Non-reportable segments	(26)	(29)	(78)	(75)
Unallocated amounts:				
Net financing costs (1)	(44)	(46)	(190)	(183)
Stock-based compensation expense	(20)	(15)	(86)	(92)
Exploratory research	(20)	(15)	(79)	(59)
Corporate contributions	(10)	(7)	(48)	(33)
Equity in earnings of affiliated companies, net of impairments (2)	137	127	421	453
Asbestos settlement (3)	(9)	8	(24)	49
Other corporate items (4)	32	91	199	336
Net income	$ 491	$ 1,044	$ 2,805	$ 3,558

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

(2) Equity in earnings of affiliated companies, net of impairments, is primarily equity in earnings of Dow Corning Corporation which includes the following items:
- In the three months and year ended December 31, 2011, Corning recorded an $89 million credit for our share of Dow Corning Corporation’s settlement of a dispute related to long term supply agreements.
- In the three months and year ended December 31, 2010, Corning recorded a $26 million credit for our share of a valuation allowance on foreign deferred tax assets. Corning also recorded a $16 million credit for our share of excess foreign tax credits from foreign dividends of Dow Corning Corporation.
- In the year ended December 31, 2010, a $21 million credit for our share of U.S. advanced energy manufacturing tax credits.

(3) In the three months and year ended December 31, 2011, Corning recorded charges of $9 million and $24 million, respectively, to adjust the asbestos liability for the change in value of certain components of the Modified PCC Plan. In the three months and year ended December 31, 2010, Corning recorded a net credit of $8 million and a net credit of $49 million, respectively, to adjust the asbestos liability for the change in value of certain components of the modified PCC Plan.

(4) Other corporate items include the tax impact of the unallocated amounts and the following significant items:
- In the year ended December 31, 2011, Corning recorded a $41 million tax benefit from the filing of an amended 2006 U.S. Federal Tax return to claim foreign tax credits.
- In the year ended December 31, 2010, Corning recorded a loss of $30 million ($19 million after-tax) from the repurchase of $126 million principal amount of our 6.2% senior unsecured notes due March 15, 2016 and $100 million principal amount of our 5.9% senior unsecured notes due March 15, 2014.

1. Contingent Liability

In the fourth quarter of 2011, we recognized a credit of $5 million resulting from a reduction in a contingent liability associated with an acquisition recorded in the first quarter of 2011.

2. Restructuring, Impairment, and Other Charges (Credits)

In the fourth quarter of 2011, Corning recorded a $130 million asset impairment charge for certain long-lived assets in our Specialty Materials segment.

3. Asbestos Litigation

Pittsburgh Corning Corporation (PCC) was named in numerous lawsuits alleging personal injury from exposure to asbestos and, on April 16, 2000, PCC filed for Chapter 11 reorganization. Corning, with other relevant parties, proposed a Plan of Reorganization of PCC in 2003, which has not yet been confirmed. Under this PCC Plan, Corning would contribute certain payments and assets. In the fourth quarter of 2011, we recorded a charge of $9 million ($5 million after-tax) to adjust the asbestos litigation liability for the change in value of the components to be contributed by Corning under this PCC Plan.

4. Equity in Earnings of Affiliated Companies

In the fourth quarter of 2011, equity in earnings of affiliated companies included an $89 million ($83 million after-tax) credit for Corning's share of Dow Corning Corporation's settlement of a dispute related to long term supply agreements.

5. Provision for Income Taxes

In the fourth quarter of 2011, we recorded a $13 million net tax provision related to the adjustment of deferred taxes as a result of enacted tax rate reductions primarily in Japan.

6. Weighted Average Shares Outstanding

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

	Three months ended December 31,		Year ended December 31,	
	2011	**2010**	**2011**	**2010**
Basic	1,546	1,560	1,562	1,558
Diluted	1,564	1,584	1,583	1,581
Diluted used for non-GAAP measures	1,564	1,584	1,583	1,581

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

	2011				
	Q1	Q2	Q3	Q4	Total
Display Technologies	$ 790	$ 760	$ 815	$ 780	$ 3,145
Telecommunications					
Fiber and cable	248	265	276	262	1,051
Hardware and equipment	226	283	284	228	1,021
	474	548	560	490	2,072
Environmental Technologies					
Automotive	123	121	119	113	476
Diesel	136	137	128	121	522
	259	258	247	234	998
Specialty Materials	254	283	299	238	1,074
Life Sciences	144	155	153	143	595
All Other	2	1	1	2	6
Total	$ 1,923	$ 2,005	$ 2,075	$ 1,887	$ 7,890

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

The above supplemental information is intended to facilitate analysis of Corning’s businesses.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended December 31, 2011
(Unaudited; amounts in millions, except per share amounts)

Corning's net income and earnings per share (EPS) excluding special items for the fourth quarter of 2011 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Income Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	$ 0.33	$ 606	$ 513
Special items:			
Contingent liability (a)	–	5	5
Restructuring, impairment, and other credits (b)	(0.05)	(130)	(83)
Asbestos settlement (c)	–	(9)	(5)
Equity in earnings of affiliated companies (d)	0.04	80	74
Provision for income taxes (e)	(0.01)	–	(13)
Total EPS and net income	$ 0.31	$ 552	$ 491

(a) In the fourth quarter of 2011, Corning recognized a credit of $5 million resulting from a reduction in a contingent liability associated with an acquisition recorded in the first quarter of 2011.

(b) In the fourth quarter of 2011, Corning recorded a $130 million ($83 million after-tax) asset impairment charge for certain long-lived assets in our Specialty Materials segment.

(c) In the fourth quarter of 2011, Corning recorded a charge of $9 million ($5 million after-tax) to adjust the asbestos liability for the change in value of the components of the modified PCC Plan.

(d) In the fourth quarter of 2011, equity in earnings of affiliated companies included a $80 million ($74 million after-tax) credit for Corning's share of the future portion of Dow Corning Corporation's settlement of a dispute related to long term supply agreements.

(e) In the fourth quarter of 2011, Corning recorded a $13 million net tax provision related to the adjustment of deferred taxes as a result of enacted tax rate reductions primarily in Japan.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO
GAAP FINANCIAL MEASURE
Three Months Ended December 31, 2010
(Unaudited; amounts in millions, except per share amounts)

Corning's net income and earnings per share (EPS) excluding special items for the fourth quarter of 2010 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

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

(a) In the fourth quarter of 2010, Corning recorded $324 million ($206 million after-tax) on the settlement of business interruption and property damage insurance claims in the Display Technologies segment resulting from earthquake activity near the Shizuoka, Japan facility and a power disruption at the Taichung, Taiwan facility in 2009.

(b) In the fourth quarter of 2010, Corning recorded a net credit of $8 million ($5 million after-tax) to adjust the asbestos liability for the change in value of the components of the modified PCC Plan.

(c) In the fourth quarter of 2010, equity in earnings of affiliated companies included a credit of $26 million ($24 million after-tax) for our share of a release of valuation allowance on foreign deferred tax assets, a $16 million ($15 million after-tax) credit for our share of excess foreign tax credits from foreign dividends and a $61 million credit for our share of a revised Samsung Corning Precision tax holiday calculation agreed to by the Korean National Tax Service.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO
GAAP FINANCIAL MEASURE
Three Months Ended September 30, 2011
(Unaudited; amounts in millions, except per share amounts)

Corning's net income and earnings per share (EPS) excluding special items for the third quarter of 2011 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Income Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	$ 0.48	$ 904	$ 766
Special items:			
Contingent liability (a)	0.01	22	22
Asbestos settlement (b)	–	(5)	(3)
Provision for income taxes (c)	0.02	–	26
Total EPS and net income	$ 0.51	$ 921	$ 811

(a) In the third quarter of 2011, Corning recognized a credit of $22 million resulting from a reduction to a contingent liability associated with an acquisition recorded in the first quarter of 2011.

(b) In the third quarter of 2011, Corning recorded a charge of $5 million ($3 million after-tax) to adjust the asbestos liability for the change in value of the components of the Modified PCC Plan.

(c) In the third quarter of 2011, Corning recorded a $26 million net tax benefit related to prior year foreign tax credits and other tax adjustments.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO
GAAP FINANCIAL MEASURE
Year Ended December 31, 2011
(Unaudited; amounts in millions, except per share amounts)

Corning's net income and earnings per share (EPS) excluding special items for the year ended December 31, 2011 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Income Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	$ 1.76	$ 3,260	$ 2,789
Special items:			
Contingent liability (a)	0.02	27	27
Restructuring, impairment, and other credits (b)	(0.05)	(130)	(83)
Asbestos settlement (c)	(0.01)	(24)	(15)
Equity in earnings of affiliated companies (d)	0.04	80	74
Provision for income taxes (e)	0.01	–	13
Total EPS and net income	$ 1.77	$ 3,213	$ 2,805

(a) In 2011, Corning recognized a credit of $27 million resulting from a reduction to a contingent liability associated with an acquisition recorded in the first quarter of 2011.

(b) In 2011, Corning recorded a $130 million ($83 million after-tax) asset impairment charge for certain long-lived assets in our Specialty Materials segment.

(c) In 2011, Corning recorded a charge of $24 million ($15 million after-tax) to adjust the asbestos liability for the change in value of the components of the Modified PCC Plan.

(d) In 2011, equity in earnings of affiliated companies included an $80 million credit ($74 million after-tax) for Corning's share of the future portion of Dow Corning Corporation's settlement of a dispute related to long term supply agreements.

(e) In 2011, Corning recorded a $26 million net tax benefit related to prior year foreign tax credits and other tax adjustments. Also in 2011, Corning recorded a $13 million net tax provision related to the adjustment of deferred taxes as a result of enacted tax rate reductions primarily in Japan.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Year Ended December 31, 2010

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

Corning's net income and earnings per share (EPS) excluding special items for the year ended December 31, 2010 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Income Before Income Taxes	Net Income
Earnings per share (EPS) and net income, excluding special items	$ 2.07	$ 3,376	$ 3,276
Special items:			
Restructuring, impairment and other charges (a)	–	2	1
Insurance settlement (b)	0.13	324	206
Asbestos settlement (c)	0.02	49	30
Equity in earnings of affiliated companies (d)	0.08	124	120
Loss on repurchase of debt (e)	(0.01)	(30)	(19)
Provision for income taxes (f)	(0.04)	–	(56)
Total EPS and net income	$ 2.25	$ 3,845	$ 3,558

(a) In 2010, Corning recorded a credit of $2 million ($1 million after-tax) for adjustments to restructuring reserves.

(b) In 2010, Corning recorded $324 million ($206 million after-tax) on the settlement of business interruption and property damage insurance claims in the Display Technologies segment resulting from earthquake activity near the Shizuoka, Japan facility and a power disruption at the Taichung, Taiwan facility in 2009.

(c) In 2010, Corning recorded a net credit of $49 million ($30 million after-tax) to adjust the asbestos liability for change in value of the components of the modified PCC Plan.

(d) In 2010, equity in earnings of affiliated companies included a credit of $21 million ($20 million after-tax) primarily for Corning's share of advanced energy manufacturing tax credits at Dow Corning Corporation. Also, included is a credit of $26 million ($24 million after-tax) for our share of a release of valuation allowance on foreign deferred tax assets, a $16 million ($15 million after-tax) credit for our share of excess foreign tax credits from foreign dividends at Dow Corning Corporation and a $61 million credit for our share of a revised Samsung Corning Precision tax holiday calculation agreed to by the Korean National Tax Service.

(e) In 2010, Corning recorded a $30 million loss ($19 million after-tax) on the repurchase of $126 million principal amount of our 6.2% senior unsecured notes due March 15, 2016 and $100 million principal amount of our 5.9% senior unsecured notes due March 15, 2014.

(f) In 2010, Corning recorded a $56 million tax charge from the reversal of the deferred tax asset associated with a Medicare subsidy.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO
GAAP FINANCIAL MEASURE
Years Ended December 31, 2011 and 2010
(Unaudited; amounts in millions)

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

	Total			Telecommunications			Environmental Technologies			Specialty Materials			Life Sciences		
	2011	2010	Change	2011	2010	Change	2011	2010	Change	2011	2010	Change	2011	2010	Change
Net income, excluding special items	$397	$168	136%	$168	$98	71%	$121	$43	181%	$47	$(33)	*	$61	$60	2%
Contingent liability (a)	27			27											
Restructuring, impairment, and other credits (b)	(83)	1								(83)	1				
Net income	$341	$169	102%	$195	$98	99%	$121	$43	181%	$(36)	$(32)	13%	$61	$60	2%

* The percentage change calculation is not meaningful.

(a) In 2011, Corning recognized a credit of $27 million resulting from a reduction to a contingent liability associated with an acquisition recorded in the first quarter of 2011.

(b) In 2011, Corning recorded a $83 million, net of tax, asset impairment charge for certain long-lived assets in our Specialty Materials segment. In 2010, Corning recorded a credit of $1 million, net of tax, for adjustments to restructuring reserves.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO
GAAP FINANCIAL MEASURE
Years Ended December 31, 2011 and 2010
(Unaudited; amounts in millions, except per share amounts)

Corning's comment, "We set new records for … operating income" includes non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP operating income is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	2011	2010
Operating income, excluding special items	$ 1,821	$ 1,426
Special items:		
Contingent liability (a)	27	
Restructuring, impairment, and other credits (b)	(130)	2
Insurance settlement (c)		324
Asbestos settlement (d)	(24)	49
Operating income	$ 1,694	$ 1,801

(a) In 2011, Corning recognized a credit of $27 million resulting from a reduction to a contingent liability associated with an acquisition recorded in the first quarter of 2011.

(b) In 2011, Corning recorded a $130 million asset impairment charge for certain long-lived assets in our Specialty Materials segment. In 2010, Corning recorded a credit of $2 million for adjustments to restructuring reserves.

(c) In 2010, Corning recorded $324 million on the settlement of business interruption and property damage insurance claims in the Display Technologies segment resulting from earthquake activity near the Shizuoka, Japan facility and a power disruption at the Taichung, Taiwan facility in 2009.

(d) In 2011, Corning recorded a charge of $24 million to adjust the asbestos liability for the change in value of the components of the Modified PCC Plan. In 2010, Corning recorded a net credit of $49 million to adjust the asbestos liability for change in value of the components of the modified PCC Plan.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO
GAAP FINANCIAL MEASURE
Three Months and Year Ended December 31, 2011
(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months and year ended December 31, 2011 is a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP financial measures are helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measures.

	Three months ended December 31, 2011	Year ended December 31, 2011
Cash flows from operating activities	$ 1,157	$ 3,189
Less: Cash flows from investing activities	(476)	(2,056)
Plus: Short-term investments – acquisitions	389	2,582
Less: Short-term investments – liquidations	(745)	(3,171)
Free cash flow	$ 325	$ 544

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO
GAAP FINANCIAL MEASURE
Years Ended December 31
(Unaudited; amounts in millions)

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

	Year ended Dec. 31, 2004	Year ended Dec. 31, 2005	Year ended Dec. 31, 2006	Year ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2010	Year ended Dec. 31, 2011
Cash flows from operating activities	$ 1,009	$ 1,939	$ 1,803	$ 2,077	$ 2,128	$ 2,077	$ 3,835	$ 3,189
Less: Cash flows from investing activities	(922)	(1,712)	(2,181)	(561)	(1,699)	(1,370)	(1,769)	(2,056)
Plus: Short-term investments – acquisitions	1,685	1,668	2,894	2,152	1,865	1,372	2,768	2,582
Less: Short-term investments – liquidations	(1,389)	(1,452)	(1,976)	(2,862)	(2,083)	(1,281)	(2,061)	(3,171)
Free cash flow	$ 383	$ 443	$ 540	$ 806	$ 211	$ 798	$ 2,773	$ 544