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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net sales	$ 2,067	$ 2,038	$ 5,863	$ 5,866
Cost of sales	1,166	1,149	3,309	3,345
Gross margin	901	889	2,554	2,521
Operating expenses:				
Selling, general and administrative expenses	265	289	790	848
Research, development and engineering expenses	184	182	541	551
Amortization of purchased intangibles	8	4	23	13
Asbestos litigation charge	5	3	13	9
Operating income	439	411	1,187	1,100
Equity in earnings of affiliated companies	138	240	477	717
Interest income	1	3	5	10
Interest expense	(28)	(32)	(92)	(76)
Other (expense) income, net	(1)	5	329	42
Income before income taxes	549	627	1,906	1,793
Provision for income taxes	(141)	(94)	(366)	(312)
Net income attributable to Corning Incorporated	$ 408	$ 533	$ 1,540	$ 1,481
Earnings per common share attributable to Corning Incorporated:				
Basic	$ 0.28	$ 0.36	$ 1.05	$ 0.99
Diluted	$ 0.28	$ 0.36	$ 1.04	$ 0.98
Dividends declared per common share	$ 0.10	$ 0.075	$ 0.29	$ 0.225

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income attributable to Corning Incorporated	$ 408	$ 533	$ 1,540	$ 1,481
Other comprehensive income (loss), net of tax	313	231	(431)	183
Comprehensive income attributable to Corning Incorporated	$ 721	$ 764	$ 1,109	$ 1,664

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

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 4,560	$ 4,988
Short-term investments, at fair value	886	1,156
Total cash, cash equivalents and short-term investments	5,446	6,144
Trade accounts receivable, net of doubtful accounts and allowances	1,392	1,302
Inventories	1,275	1,051
Deferred income taxes	309	579
Other current assets	706	619
Total current assets	9,128	9,695
Investments	5,160	4,915
Property, net of accumulated depreciation	9,977	10,625
Goodwill and other intangible assets, net	1,551	1,496
Deferred income taxes	2,403	2,343
Other assets	495	301
Total Assets	$ 28,714	$ 29,375
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 23	$ 76
Accounts payable	640	779
Other accrued liabilities	915	1,101
Total current liabilities	1,578	1,956
Long-term debt	2,816	3,382
Postretirement benefits other than pensions	917	930
Other liabilities	1,605	1,574
Total liabilities	6,916	7,842
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value $0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,658 million and 1,649 million	829	825
Additional paid-in capital	13,215	13,146
Retained earnings	11,017	9,932
Treasury stock, at cost; Shares held: 211 million and 179 million	(3,237)	(2,773)
Accumulated other comprehensive (loss) income	(75)	356
Total Corning Incorporated shareholders' equity	21,749	21,486
Noncontrolling interests	49	47
Total equity	21,798	21,533
Total Liabilities and Equity	$ 28,714	$ 29,375

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

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash Flows from Operating Activities:				
Net income	$ 408	$ 533	$ 1,540	$ 1,481
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	240	244	730	717
Amortization of purchased intangibles	8	4	23	13
Stock compensation charges	15	16	40	56
Undistributed earnings of affiliated companies in excess of dividends received	(99)	(184)	(256)	(140)
Deferred tax provision	22	30	141	65
Restructuring payments	(6)	(2)	(30)	(3)
Employee benefit payments less than (in excess of) expense	8	14	34	(57)
Unrealized losses (gains) on translated earnings contracts	66		(166)	
Changes in certain working capital items:				
Trade accounts receivable	(83)	(81)	(139)	(149)
Inventories	(27)	4	(238)	(31)
Other current assets	11	(11)	14	(65)
Accounts payable and other current liabilities	(37)	3	(278)	(42)
Other, net	(41)	64	88	121
Net cash provided by operating activities	485	634	1,503	1,966
Cash Flows from Investing Activities:				
Capital expenditures	(244)	(422)	(682)	(1,275)
Acquisitions of businesses, net of cash received			(66)	
Investments in affiliates	(4)		(24)	(111)
Short-term investments – acquisitions	(446)	(691)	(1,183)	(1,859)
Short-term investments – liquidations	429	629	1,449	1,618
Premium on purchased collars			(107)	
Realized gains on translated earning contracts	30		33	
Other, net	1	2	5	6
Net cash used in investing activities	(234)	(482)	(575)	(1,621)
Cash Flows from Financing Activities:				
Retirement of long-term debt			(498)	
Net repayments of short-term borrowings and current portion of long-term debt	(58)	(11)	(69)	(24)
Principal payments under capital lease obligations			(2)	(1)
Proceeds from issuance of long-term debt, net		144		1,030
Proceeds received for capital investment incentive	82		82	
Payments to settle interest rate hedges				(18)
Payments to acquire noncontrolling interest	(38)		(47)	
Proceeds from the exercise of stock options	15	7	54	26
Repurchase of common stock for treasury	(209)	(194)	(441)	(580)
Dividends paid	(146)	(112)	(426)	(339)
Net cash (used in) provided by financing activities	(354)	(166)	(1,347)	94
Effect of exchange rates on cash	62	(42)	(9)	(148)
Net (decrease) increase in cash and cash equivalents	(41)	(56)	(428)	291
Cash and cash equivalents at beginning of period	4,601	5,008	4,988	4,661
Cash and cash equivalents at end of period	$ 4,560	$ 4,952	$ 4,560	$ 4,952

Certain amounts for 2012 were reclassified to conform to the 2013 presentation.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
(Unaudited)

Weighted Average Shares Outstanding

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

	Three months ended		
	June 30, 2013	September 30, 2013	September 30, 2012
Basic	1,469	1,454	1,483
Diluted	1,478	1,463	1,494
Diluted used for non-GAAP measures	1,478	1,463	1,494

Use of Non-GAAP Financial Measures

Corning's Core net sales, Core equity earnings of affiliated companies, Core income before income taxes, Core earnings, Core earnings per share, Core gross margin and Core gross margin percentage, Core selling, general and administrative expenses, and Free cash flow 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 these non-GAAP Core measures is helpful to analyze financial performance without the impact of items that are driven by general economic conditions and events that do not reflect the underlying fundamentals and trends in the Company's operations. Detailed reconciliations are provided below outlining the differences between these non-GAAP measures and the most directly comparable GAAP measures. Further explanation of the Company's use of these non-GAAP financial measures is included at the end of this document.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended September 30, 2013
(Unaudited; amounts in millions, except percentages and per share amounts)

	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate	Per share
As reported	$ 2,067	$ 138	$ 549	$ 408	25.7%	$ 0.28
Acquisition-related costs (4)			10	7		
Provision for income taxes (6)				58		0.04
Asbestos settlement (5)			5	3		
Gain on change in control of equity investment (7)				(1)		
Equity in earnings of affiliated companies (8)		(22)	(22)	(20)		(0.02)
Hemlock Semiconductor operating results (3)		3	3	3		
Hemlock Semiconductor non-operating results (3)		(10)	(10)	(9)		(0.01)
Purchased collars and average rate forwards (2)			46	25		0.02
Other yen-related transactions (2)			(25)	(18)		(0.01)
Constant-yen (1)	41	12	40	31		0.02
Core Performance measures	$ 2,108	$ 121	$ 596	$ 487	18.3%	$ 0.33

(1) Constant-yen: Because a significant portion of Corning's LCD glass business revenues and manufacturing costs are denominated in Japanese yen, management believes it is important to understand the impact on core earnings from translating yen into dollars. Presenting results on a constant-yen basis eliminates the translation impact of the Japanese yen, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and to establish operational goals and forecasts. We use an internally derived management rate of ¥93, which is closely aligned to our yen portfolio of purchased collars, and have restated all years presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

(2) Purchased collars, average rate forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average rate forward contracts, and other yen-related transactions for each period presented. By aligning an internally derived rate with our portfolio of purchased collars and average rate forward contracts, and excluding other yen-related transactions and the Constant-yen adjustments, we have effectively eliminated the impact of changes in the Japanese yen on our results.

(3) Results of Dow Corning Corporation's equity affiliate, Hemlock Semiconductor: We are excluding the results of Dow Corning's consolidated subsidiary, Hemlock Semiconductor, a producer of polycrystalline silicon, to remove the operating and non-operating items and events which have caused severe unpredictability and instability in earnings over the past eighteen months, and are expected to continue in the future. These events are being primarily driven by the macro-economic environment. Specifically, the negative impact of the preliminary determination by the Chinese Ministry of Commerce, which imposes provisional anti-dumping duties on solar-grade polysilicon imports from the United States, and the impact of potential asset write-offs, offset by the potential benefit of large payments required under Hemlock customers' "take-or-pay" contracts, are events that are unrelated to Dow Corning's core operations, and that have, or could have, significant impacts to this business.

(4) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.

(5) Certain litigation-related charges: These adjustments relate to the Pittsburgh Corning Corporation (PCC) asbestos litigation.

(6) Provision for income taxes: These items represent discrete adjustments recorded for effects of tax law and realizability of deferred tax assets changes. This item also includes the income tax effects of adjusting from a GAAP tax rate to a Core earnings tax rate.

(7) Gain on change in control of equity investment: Adjustment of the gain as a result of certain changes to the Shareholder Agreement of an equity company occurring in the second quarter of 2013, resulting in Corning having a controlling interest that requires consolidation of this investment.

(8) Equity in earnings of affiliated companies: These adjustments relate to items which do not reflect expected on-going operating results in the silicone products business of Dow Corning, such as settlements under "take-or-pay" contracts.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended June 30, 2013
(Unaudited; amounts in millions, except percentages and per share amounts)

	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate	Per share
As reported	$ 1,982	$ 166	$ 829	$ 638	23.0%	$ 0.43
Acquisition-related costs (4)			8	5		
Pension mark-to-market adjustment (6)			(41)	(26)		(0.02)
Asbestos settlement (5)			6	4		
Gain on change in control of equity investment (7)			(17)	(11)		(0.01)
Hemlock Semiconductor operating results (3)		(12)	(12)	(11)		(0.01)
Hemlock Semiconductor non-operating results (3)		9	9	9		0.01
Purchased collars and average rate forwards (2)			(229)	(147)		(0.10)
Other yen-related transactions (2)			(27)	(19)		(0.01)
Constant-yen (1)	39	10	36	27		0.02
Core Performance measures	$ 2,021	$ 173	$ 562	$ 469	16.5%	$ 0.32

(1) Constant-yen: Because a significant portion of Corning's LCD glass business revenues and manufacturing costs are denominated in Japanese yen, management believes it is important to understand the impact on core earnings from translating yen into dollars. Presenting results on a constant-yen basis eliminates the translation impact of the Japanese yen, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and to establish operational goals and forecasts. We use an internally derived management rate of ¥93, which is closely aligned to our yen portfolio of purchased collars, and have restated all years presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

(2) Purchased collars, average rate forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average rate forward contracts, and other yen-related transactions for each period presented. By aligning an internally derived rate with our portfolio of purchased collars and average rate forward contracts, and excluding other yen-related transactions and the Constant-yen adjustments, we have effectively eliminated the impact of changes in the Japanese yen on our results.

(3) Results of Dow Corning Corporation's equity affiliate, Hemlock Semiconductor: We are excluding the results of Dow Corning's consolidated subsidiary, Hemlock Semiconductor, a producer of polycrystalline silicon, to remove the operating and non-operating items and events which have caused severe unpredictability and instability in earnings over the past eighteen months, and are expected to continue in the future. These events are being primarily driven by the macro-economic environment. Specifically, the negative impact of the preliminary determination by the Chinese Ministry of Commerce, which imposes provisional anti-dumping duties on solar-grade polysilicon imports from the United States, and the impact of potential asset write-offs, offset by the potential benefit of large payments required under Hemlock customers' "take-or-pay" contracts, are events that are unrelated to Dow Corning's core operations, and that have, or could have, significant impacts to this business.

(4) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.

(5) Certain litigation-related charges: These adjustments relate to the Pittsburgh Corning Corporation (PCC) asbestos litigation.

(6) Pension mark-to-market adjustment: Mark-to-market pension gains and losses, which arise from changes in actuarial assumptions and the difference between actual and expected returns on plan assets and discount rates, and not from Corning's core operations.

(7) Gain on change in control of equity investment: Gain as a result of certain changes to the Shareholder Agreement of an equity company, resulting in Corning having a controlling interest that requires consolidation of this investment.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended September 30, 2012
(Unaudited; amounts in millions, except per share amounts)

	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate	Per share
As reported *	$ 2,038	$ 240	$ 627	$ 533	15.0%	$ 0.36
Asbestos settlement (1)			3	2		
Hemlock semiconductor operating results (2)		(11)	(11)	(10)		(0.01)
Hemlock semiconductor non-operating results (2)		(10)	(10)	(9)		(0.01)
Other yen-related transactions (3)			(2)	(1)		
Constant-yen (4)	(118)	(46)	(122)	(100)		(0.07)
Core Performance measures	$ 1,920	$ 173	$ 485	$ 415	14.4%	$ 0.28

(1) Certain litigation-related charges: These adjustments relate to the Pittsburgh Corning Corporation (PCC) asbestos litigation.

(2) Results of Dow Corning Corporation's equity affiliate, Hemlock Semiconductor: We are excluding the results of Dow Corning's consolidated subsidiary, Hemlock Semiconductor, a producer of polycrystalline silicon, to remove the operating and non-operating items and events which have caused severe unpredictability and instability in earnings over the past eighteen months, and are expected to continue in the future. These events are being primarily driven by the macro-economic environment. Specifically, the negative impact of the preliminary determination by the Chinese Ministry of Commerce, which imposes provisional anti-dumping duties on solar-grade polysilicon imports from the Unites States, and the impact of potential asset write-offs, offset by the potential benefit of large payments required under Hemlock customers' "take-or-pay" contracts, are events that are unrelated to Dow Corning's core operations, and that have, or could have, significant impact to this business.

(3) Purchased collars, average rate forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average rate forward contracts, and other yen-related transactions for each period presented. By aligning an internally derived rate with our portfolio of purchased collars and average rate forward contracts, and excluding other yen-related transactions and the Constant-yen adjustments, we have effectively eliminated the impact of changes in the Japanese yen on our results.

(4) Constant-yen: Because a significant portion of Corning's LCD glass business revenues and manufacturing costs are denominated in Japanese yen, management believes it is important to understand the impact on core earnings from translating yen into dollars. Presenting results on a constant-yen basis eliminates the translation impact of the Japanese yen, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and to establish operational goals and forecasts. We use an internally derived management rate of ¥93, which is closely aligned to our yen portfolio of purchased collars, and have restated all years presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

*Includes impact of defined benefit pension plan methodology change implemented in the first quarter of 2013 and retrospectively applied to prior periods.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Display Technologies Segment
Three Months Ended September 30, 2013 and 2012
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2013			Three months ended September 30, 2012			% Increase/decrease		
	Net sales	**Equity earnings**	**Net income**	**Net sales**	**Equity earnings**	**Net income**	**Net sales**	**Equity earnings**	**Net income**
As reported *	$ 648	$ 73	$ 318	$ 763	$ 187	$ 441	(15)%	(61)%	(28)%
Purchased collars (1)			(28)						
Other yen-related transaction (1)			(17)			(1)			
Constant-yen (2)	41	12	31	(118)	(46)	(107)			
Core Performance measures	$ 689	$ 85	$ 304	$ 645	$ 141	$ 333	7 %	(40)%	(9)%

(1) Purchased collars, average rate forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average rate forward contracts, and other yen-related transactions for each period presented. By aligning an internally derived rate with our portfolio of purchased collars and average rate forward contracts, and excluding other yen-related transactions and the Constant-yen adjustments, we have effectively eliminated the impact of changes in the Japanese yen on our results.

(2) Constant-yen: Because a significant portion of Corning's LCD glass business revenues and manufacturing costs are denominated in Japanese yen, management believes it is important to understand the impact on core earnings from translating yen into dollars. Presenting results on a constant-yen basis eliminates the translation impact of the Japanese yen, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and to establish operational goals and forecasts. We use an internally derived management rate of ¥93, which is closely aligned to our yen portfolio of purchased collars, and have restated all years presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

*Results for 2012 include the impact of defined benefit pension plan methodology change implemented in the first quarter of 2013 and retrospectively applied to prior periods.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Telecommunications Segment
Three Months Ended September 30, 2013 and 2012
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2013		Three months ended September 30, 2012		% Increase/decrease	
	Net sales	**Net income**	**Net sales**	**Net income**	**Net sales**	**Net income**
As reported *	$ 650	$ 62	$ 523	$ 35	24%	77%
Acquisition-related costs (1)		3				
Core Performance measures	$ 650	$ 65	$ 523	$ 35	24%	86%

(1) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.

* Results for 2012 include the impact of defined benefit pension plan methodology change implemented in the first quarter of 2013 and retrospectively applied to prior periods.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Specialty Materials Segment
Three Months Ended September 30, 2013 and 2012
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2013		Three months ended September 30, 2012		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported *	$ 326	$ 65	$ 363	$ 59	(10)%	10%
Other yen-related transaction (1)						
Constant-yen (2)				7		
Core Performance measures	$ 326	$ 65	$ 363	$ 66	(10)%	(2)%

(1) Other yen-related transactions: We have excluded the impact of other yen-related transactions for each period presented. By aligning an internally derived rate with our portfolio of purchased collars and average rate forward contracts, and excluding other yen-related transactions and the Constant-yen adjustments, we have effectively eliminated the impact of changes in the Japanese yen on our results.

(2) Constant-yen: Because a significant portion of Corning's LCD glass business revenues and manufacturing costs are denominated in Japanese yen, management believes it is important to understand the impact on core earnings from translating yen into dollars. Presenting results on a constant-yen basis eliminates the translation impact of the Japanese yen, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and to establish operational goals and forecasts. We use an internally derived management rate of ¥93, which is closely aligned to our yen portfolio of purchased collars, and have restated all years presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

* Results for 2012 include the impact of defined benefit pension plan methodology change implemented in the first quarter of 2013 and retrospectively applied to prior periods.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Life Sciences Segment
Three Months Ended September 30, 2013 and 2012
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2013		Three months ended September 30, 2012		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported *	$ 215	$ 20	$ 155	$ 9	39%	122%
Acquisition-related costs (1)		3				
Core Performance measures	$ 215	$ 23	$ 155	$ 9	39%	156%

(1) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.

* Results for 2012 include the impact of defined benefit pension plan methodology change implemented in the first quarter of 2013 and retrospectively applied to prior periods.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended September 30, 2013 and 2012
(Unaudited; amounts in millions)

	Three months ended September 30, 2013				Three months ended September 30, 2012			
	Gross Margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses	Gross Margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses
As reported *	$ 901	44%	$ 265	$ 184	$ 889	44%	$ 289	$ 182
Acquisition-related costs (1)	2		1				2	
Other yen-related transactions (2)	(8)				(1)			
Constant-yen (3)	28				(74)			
Core Performance measures	$ 923	44%	$ 266	$ 184	$ 814	42%	$ 291	$ 182

(1) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.
(2) Other yen-related transactions: We have excluded the impact of other yen-related transactions for each period presented. By aligning an internally derived rate with our portfolio of purchased collars and average rate forward contracts, and excluding other yen-related transactions and the Constant-yen adjustments, we have effectively eliminated the impact of changes in the Japanese yen on our results.
(3) Constant-yen: Because a significant portion of Corning's LCD glass business revenues and manufacturing costs are denominated in Japanese yen, management believes it is important to understand the impact on core earnings from translating yen into dollars. Presenting results on a constant-yen basis eliminates the translation impact of the Japanese yen, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and to establish operational goals and forecasts. We use an internally derived management rate of ¥93, which is closely aligned to our yen portfolio of purchased collars, and have restated all years presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

* Results for 2012 include the impact of defined benefit pension plan methodology change implemented in the first quarter of 2013 and retrospectively applied to prior periods.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Dow Corning Corporation
Three Months Ended September 30, 2013 and 2012
(Unaudited; amounts in millions)

	Equity Earnings	
	Three months ended September 30, 2013	Three months ended September 30, 2012
As reported	$ 57	$ 48
Equity in earnings of affiliated companies (1)	(22)	
Hemlock semiconductor operating results (2)	3	(10)
Hemlock semiconductor non-operating results (2)	(10)	(10)
Core Performance measures	$ 28	$ 28

(1) Equity in earnings of affiliated companies: These adjustments relate to items which do not reflect expected on-going operating results in the silicone products business of Dow Corning, such as settlements under "take-or-pay" contracts.

(2) Results of Dow Corning Corporation's equity affiliate, Hemlock Semiconductor: We are excluding the results of Dow Corning's consolidated subsidiary, Hemlock Semiconductor, a producer of polycrystalline silicon, to remove the operating and non-operating items and events which have caused severe unpredictability and instability in earnings over the past eighteen months, and are expected to continue in the future. These events are being primarily driven by the macro-economic environment. Specifically, the negative impact of the preliminary determination by the Chinese Ministry of Commerce, which imposes provisional anti-dumping duties on solar-grade polysilicon imports from the United States, and the impact of potential asset write-offs, offset by the potential benefit of large payments required under Hemlock customers' "take-or-pay" contracts, are events that are unrelated to Dow Corning's core operations, and that have, or could have, significant impacts to this business.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three and Nine Months Ended September 30, 2013
(Unaudited; amounts in millions)

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Cash flows from operating activities	$ 485	$ 1,503
Less: Cash flows from investing activities	(234)	(575)
Plus: Short-term investments – acquisitions	446	1,183
Less: Short-term investments – liquidations	(429)	(1,449)
Free cash flow	$ 268	$ 662

Use of Non-GAAP Financial Measures

In managing the Company and assessing our financial performance, we supplement certain measures provided by our consolidated financial statements with measures adjusted to exclude certain items, to arrive at Core Performance measures. We believe reporting Core Performance measures provides investors greater transparency to the information used by our management team to make financial and operational decisions. Core net sales, Core equity earnings of affiliated companies, Core income before income taxes, Core earnings, Core earnings per share, Core gross margin and Core gross margin percentage and Core selling, general and administrative expenses are adjusted to exclude the impacts of changes in the Japanese yen, the impact of the purchased collars, average forward contracts and other yen-related transactions, acquisition-related costs, the results of the polysilicon business of our equity affiliate Dow Corning Corporation, discrete tax items, restructuring and restructuring-related charges, certain litigation-related expenses, pension mark-to-market adjustments, and other items which do not reflect on-going operating results of the Company or our equity affiliates. These measures are not prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). We believe investors should consider these non-GAAP measures in evaluating our results as they are more indicative of our core operating performance and how management evaluates our operational results and trends. These measures are not, and should not be viewed as a substitute for U.S. GAAP reporting measures.

The following is an explanation of each adjustment that management excluded as part of these non-GAAP financial measures as well as reasons for excluding each item:

Items which we exclude from GAAP measures to arrive at Core Performance measures are as follows:

(1) Constant-yen: Because a significant portion of Corning's LCD glass business revenues and manufacturing costs are denominated in Japanese yen, management believes it is important to understand the impact on core earnings from translating yen into dollars. Presenting results on a constant-yen basis eliminates the translation impact of the Japanese yen, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and to establish operational goals and forecasts. We use an internally derived management rate of ¥93, which is closely aligned to our yen portfolio of purchased collars, and have restated all years presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

(2) Purchased collars, average rate forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average rate forward contracts, and other yen-related transactions for each period presented. By aligning an internally derived rate with our portfolio of purchased collars and average rate forward contracts, and excluding other yen-related transactions and the Constant-yen adjustments, we have effectively eliminated the impact of changes in the Japanese yen on our results.

(3) Results of Dow Corning Corporation's consolidated subsidiary, Hemlock Semiconductor: We are excluding the results of Dow Corning's consolidated subsidiary, Hemlock Semiconductor, a producer of polycrystalline silicon, to remove the operating and non-operating items and events which have caused severe unpredictability and instability in earnings over the past eighteen months, and are expected to continue in the future. These events are being primarily driven by the macro-economic environment. Specifically, the negative impact of the determination by the Chinese Ministry of Commerce, which imposes provisional anti-dumping duties on solar-grade polysilicon imports from the United States, and the impact of potential asset write-offs, offset by the potential benefit of large payments required under

Hemlock customers' "take-or-pay" contracts, are events that are unrelated to Dow Corning's core operations, and that have, or could have, significant impacts to this business.

(4) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.

(5) Provision for income taxes: These items represent discrete adjustments recorded for effects of tax law and realizability of deferred tax assets changes. This item also includes the income tax effects of adjusting from a GAAP tax rate to a Core earnings tax rate.

(6) Certain litigation-related charges: These adjustments relate to the Pittsburgh Corning Corporation (PCC) asbestos litigation.

(7) Restructuring, impairment and other charges.

(8) Pension mark-to-market adjustment: Mark-to-market pension gains and losses, which arise from changes in actuarial assumptions and the difference between actual and expected returns on plan assets and discount rates. In accordance with GAAP, Corning recognizes pension actuarial gains and losses outside of the corridor, where the corridor is equal to 10% of the greater of the benefit obligation or the market-related value of plan assets at the beginning of the year, for our defined benefit pension plans annually in the fourth quarter of each year and whenever a plan is remeasured or valuation estimates are finalized. Actuarial gains and losses occur when actual experience differs from the estimates used to allocate the change in value of pension plans to expense throughout the year or when assumptions change, as they may each year. Significant factors that can contribute to the recognition of actuarial gains and losses include changes in discount rates, differences between actual and expected returns on plan assets, and other changes in actuarial assumptions such as life expectancy of plan participants. Management believes that pension actuarial gains and losses are primarily financing activities that are more reflective of changes in current conditions in global financial markets, and are not directly related to the underlying performance of our businesses. For further information on the actuarial assumptions and plan assets referenced above, see Management's Discussion and Analysis of Financial Condition and Results of Operations, under Critical Accounting Estimates - Employee Retirement Plans, and Note 13, Employee Retirement Plans, of Notes to the Consolidated Financial Statements in our Form 10-Q Quarterly Report for the quarter ended September 30, 2013.

(9) Gain on change in control of equity investment: Gain as a result of certain changes to the Shareholder Agreement of an equity company, resulting in Corning having a controlling interest that requires consolidation of this investment.

(10) Equity in earnings of affiliated companies: These adjustments relate to items which do not reflect expected on-going operating results in the silicone products business of Dow Corning, such as settlements under "take-or-pay" contracts.