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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net sales	$ 2,289	$ 1,814
Cost of sales	1,354	1,044
Gross margin	935	770
Operating expenses:		
Selling, general and administrative expenses	395	259
Research, development and engineering expenses	198	178
Amortization of purchased intangibles	8	7
Restructuring, impairment and other charges	17	
Asbestos litigation charge	2	2
Operating income	315	324
Equity in earnings of affiliated companies	86	173
Interest income	12	2
Interest expense	(30)	(36)
Transaction-related gain, net	74	
Other income, net	24	65
Income before income taxes	481	528
Provision for income taxes	(180)	(34)
Net income attributable to Corning Incorporated	$ 301	$ 494
Earnings per common share attributable to Corning Incorporated:		
Basic	$ 0.21	$ 0.33
Diluted	$ 0.20	$ 0.33
Dividends declared per common share	$ 0.10	$ 0.09

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net income attributable to Corning Incorporated	$ 301	$ 494
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(132)	(505)
Net unrealized gains on investments	13	7
Unamortized gains (losses) and prior service costs for postretirement benefit plans	9	(1)
Net unrealized (losses) gains on designated hedges	(4)	11
	(114)	(488)
Comprehensive income attributable to Corning Incorporated	$ 187	$ 6

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

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 4,968	$ 4,704
Short-term investments, at fair value	644	531
Total cash, cash equivalents and short-term investments	5,612	5,235
Trade accounts receivable, net of doubtful accounts and allowances - $32 and $28	1,588	1,253
Inventories	1,395	1,270
Deferred income taxes	321	278
Other current assets	697	855
Total current assets	9,613	8,891
Investments	1,976	5,537
Property, net of accumulated depreciation - $8,141 and $7,865	13,344	9,801
Goodwill and other intangible assets, net	1,665	1,542
Deferred income taxes	2,180	2,234
Other assets	766	473
Total Assets	$ 29,544	$ 28,478
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 468	$ 21
Accounts payable	732	771
Other accrued liabilities	846	954
Total current liabilities	2,046	1,746
Long-term debt	3,224	3,272
Postretirement benefits other than pensions	766	766
Other liabilities	1,789	1,483
Total liabilities	7,825	7,267
Commitments and contingencies		
Shareholders’ equity:		
Convertible preferred stock, Series A – Par value $100 per share; Shares authorized 3,100; Shares issued: 2,300	2,300	
Common stock – Par value $0.50 per share; Shares authorized 3.8 billion; Shares issued: 1,667 million and 1,661 million	833	831
Additional paid-in capital – common stock	13,072	13,066
Retained earnings	11,465	11,320
Treasury stock, at cost; Shares held: 361 million and 262 million	(5,950)	(4,099)
Accumulated other comprehensive (loss) income	(70)	44
Total Corning Incorporated shareholders’ equity	21,650	21,162
Noncontrolling interests	69	49
Total equity	21,719	21,211
Total Liabilities and Equity	$ 29,544	$ 28,478

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cash Flows from Operating Activities:		
Net income	$ 301	$ 494
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	289	248
Amortization of purchased intangibles	8	7
Restructuring, impairment and other charges	17	
Stock compensation charges	15	11
Equity in earnings of affiliated companies	(86)	(173)
Dividends received from affiliated companies	1,610	161
Deferred tax expense (benefit) provision	22	(30)
Restructuring payments	(11)	(16)
Employee benefit payments (in excess of) less than expense	(17)	15
Gains on translated earnings contracts	(2)	(24)
Changes in certain working capital items:		
Trade accounts receivable	21	17
Inventories	(3)	(138)
Other current assets	28	(2)
Accounts payable and other current liabilities	(413)	(112)
Other, net	(42)	165
Net cash provided by operating activities	1,737	623
Cash Flows from Investing Activities:		
Capital expenditures	(246)	(194)
Acquisitions of business, net of cash received	66	
Investment in unconsolidated entities	(109)	
Short-term investments – acquisitions	(445)	(291)
Short-term investments – liquidations	338	469
Premium on purchased collars		(107)
Realized gains on translated earnings contracts	89	
Other, net	6	1
Net cash used in investing activities	(301)	(122)
Cash Flows from Financing Activities:		
Retirement of long-term debt		(498)
Net repayments of short-term borrowings and current portion of long-term debt	(8)	(9)
Principal payments under capital lease obligations		(1)
Proceeds from issuance of commercial paper	418	
Proceeds from issuance of preferred stock	400	
Proceeds from the exercise of stock options	50	12
Repurchases of common stock for treasury	(1,901)	
Dividends paid	(136)	(133)
Net cash used in by financing activities	(1,177)	(629)
Effect of exchange rates on cash	5	(63)
Net increase (decrease) in cash and cash equivalents	264	(191)
Cash and cash equivalents at beginning of period	4,704	4,988
Cash and cash equivalents at end of period	$ 4,968	$ 4,797

In the first quarter of 2014, Corning issued 1,900 shares of Preferred Stock to Samsung Display Co., Ltd. in connection with the acquisition of their equity interests in Samsung Corning Precision Materials Co., Ltd.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
(Unaudited)

GAAP Earnings per Common Share

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

	Three months ended March 31,	
	2014	2013
Net income attributable to Corning Incorporated	$ 301	$ 494
Less: Series A convertible preferred stock dividend	(21)	
Net income available to common stockholders – basic	280	494
Net income available to common stockholders - diluted	**$ 280**	**$ 494**
Weighted-average common shares outstanding - basic	1,359	1,472
Effect of dilutive securities:		
Stock options and other dilutive securities	11	9
Weighted-average common shares outstanding - diluted	**1,370**	**1,481**
Basic earnings per common share	$ 0.21	$ 0.33
Diluted earnings per common share	**$ 0.20**	**$ 0.33**

Core Earnings per Common Share

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

	Three months ended March 31,	
	2014	2013
Core net income attributable to Corning Incorporated	$ 461	$ 431
Less: Series A convertible preferred stock dividend	(21)	
Core net income available to common stockholders - basic	440	431
Add: Series A convertible preferred stock dividend	21	
Core net income available to common stockholders - diluted	**$ 461**	**$ 431**
Weighted-average common shares outstanding - basic	1,359	1,472
Effect of dilutive securities:		
Stock options and other dilutive securities	11	9
Series A convertible preferred stock	97	
Weighted-average common shares outstanding - diluted	**1,467**	**1,481**
Core basic earnings per common share	$ 0.32	$ 0.29
Core diluted earnings per common share	**$ 0.31**	**$ 0.29**

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 non-GAAP amounts which we refer to as 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. Net sales, gross margin, equity in earnings of affiliated companies, and net income 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, 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. 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 March 31, 2014
(Unaudited; amounts in millions, except per share amounts)

	Three months ended March 31, 2014					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate	Per share
As reported	$ 2,289	$ 86	$ 481	$ 301	37.4%	0.20
Constant-yen (1)	100		82	61		0.04
Purchased collars and average forward contracts (2)			(2)	(10)		(0.01)
Acquisition-related costs (3)			48	40		0.03
Discrete tax items (4)				21		0.01
Asbestos settlement (5)			2	1		
Restructuring, impairment and other charges (6)			17	15		0.01
Liquidation of subsidiary (7)				(3)		
Equity in earnings of affiliated companies (8)		(25)	(25)	(24)		(0.02)
Gain on previously held equity investment (9)			(394)	(292)		(0.20)
Settlement of pre-existing contract (9)			320	320		0.22
Post-combination expenses (9)			72	55		0.04
Other items related to the acquisition of Samsung Corning Precision Materials (9)			(24)	(24)		(0.02)
Core Performance measures	$ 2,389	$ 61	$ 577	$ 461	20.1%	0.31

(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 net income 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 periods presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

(2) Purchased collars, average forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average 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 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) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.

(4) Discrete tax items: This represents the removal of discrete adjustments attributable to changes in tax law and changes in judgment about the realizability of certain deferred tax assets. This item also includes the income tax effects of adjusting from a GAAP tax rate to a core net income tax rate.

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

(6) Restructuring, impairment and other charges.

(7) Liquidation of subsidiary: The partial impact of non-restructuring related items due to the decision to liquidate a consolidated subsidiary that is not significant.

(8) Equity in earnings of affiliated companies: These adjustments relate to items which do not reflect expected on-going operating results of our affiliated companies, such as restructuring, impairment and other charges and settlements under "take-or-pay" contracts.

(9) Impacts from the Acquisition of Samsung Corning Precision Materials: Pre-acquisition gains and losses on previously held equity investment and other gains and losses related to the Acquisition, including the impact of the withholding tax on a dividend from Samsung Corning Precision Materials.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended March 31, 2013
(Unaudited; amounts in millions, except per share amounts)

	Three months ended March 31, 2013					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate	Per share
As reported	$ 1,814	$ 173	$ 528	$ 494	6.4%	0.33
Purchased collars (1)			(23)	(16)		(0.01)
Other yen-related transactions (1)			(19)	(13)		(0.01)
Hemlock Semiconductor operating results (2)		5	5	4		
Hemlock Semiconductor non-operating results (2)		2	2	2		
Acquisition-related costs (3)			18	13		0.01
Discrete tax items (4)				(54)		(0.04)
Asbestos settlement (5)			2	1		
Core Performance measures	$ 1,814	$ 180	$ 513	$ 431	16.0%	0.29

(1) Purchased collars, average forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average 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 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) Results of Dow Corning's consolidated subsidiary, Hemlock Semiconductor: In 2013, we excluded 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 beginning in 2012. These events were primarily driven by the macro-economic environment. Specifically, the negative impact of the determination by MOFCOM, which imposes provisional anti-dumping duties on solar-grade polysilicon imports from the United States, and the impact of asset write-offs, offset by the 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.
(3) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.
(4) Discrete tax items: This represents the removal of discrete adjustments attributable to changes in tax law and changes in judgment about the realizability of certain deferred tax assets. This item also includes the income tax effects of adjusting from a GAAP tax rate to a core net income tax rate.
(5) Certain litigation-related charges: These adjustments relate to the Pittsburgh Corning Corporation (PCC) asbestos litigation.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended March 31, 2014 and 2013
(Unaudited; amounts in millions)

	Three months ended March 31, 2014				Three months ended March 31, 2013			
	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	$ 935	41%	$ 395	$ 198	$ 770	42%	$ 259	$ 178
Constant-yen (1)	83							
Other yen-related transactions (2)					(6)			
Acquisition-related costs (3)	30		(19)		12			
Post-combination expenses (4)			(72)					
Core Performance measures	$ 1,048	44%	$ 304	$ 198	$ 776	43%	$ 259	$ 178

(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 net income 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 periods presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

(2) Purchased collars, average forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average 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 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) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.

(4) Impacts from the Acquisition of Samsung Corning Precision Materials: Pre-acquisition gains and losses on previously held equity investment and other gains and losses related to the Acquisition, including the impact of the withholding tax on a dividend from Samsung Corning Precision Materials.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Display Technologies Segment
Three Months Ended March 31, 2014 and 2013
(Unaudited; amounts in millions, except percentages)

	Three months ended March 31, 2014			Three months ended March 31, 2013			% Increase/decrease		
	Net sales	**Equity earnings**	**Net income**	**Net sales**	**Equity earnings**	**Net income**	**Net sales**	**Equity earnings**	**Net income**
As reported	$ 929	$ (9)	$ 209	$ 650	$ 133	$ 349	43%	(107)%	(40)%
Constant-yen (1)	100		63						
Other yen-related transaction (2)			(56)			(13)			
Acquisition-related costs (3)			35						
Restructuring, impairment and other charges (4)			3						
Equity in earnings of affiliated companies (5)		7	6						
Impacts from the Acquisition of Samsung Corning Precision Materials (6)			63						
Core Performance measures	$ 1,029	$ (2)	$ 323	$ 650	$ 133	$ 336	58%	(102)%	(4)%

(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 forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average 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 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) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.

(4) Restructuring, impairment and other charges.

(5) Equity in earnings of affiliated companies: These adjustments relate to items which do not reflect expected on-going operating results of our affiliated companies, such as restructuring, impairment and other charges and settlements under "take-or-pay" contracts.

(6) Impacts from the Acquisition of Samsung Corning Precision Materials: Pre-acquisition gains and losses on previously held equity investment and other gains and losses related to the Acquisition, including the impact of the withholding tax on a dividend from Samsung Corning Precision Materials.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Optical Communications Segment
Three Months Ended March 31, 2014 and 2013
(Unaudited; amounts in millions, except percentages)

	Three months ended March 31, 2014		Three months ended March 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	$ 593	$ 27	$ 470	$ 35	26%	(23)%
Acquisition-related costs (1)		2				
Restructuring, impairment and other charges (2)		12				
Liquidation of subsidiary (3)		(2)				
Core Performance measures	$ 593	$ 39	$ 470	$ 35	26%	11%

(1) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.
(2) Restructuring, impairment and other charges.
(3) Liquidation of subsidiary: The partial impact of non-restructuring related items due to the decision to liquidate a consolidated subsidiary that is not significant.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Specialty Materials Segment
Three Months Ended March 31, 2014 and 2013
(Unaudited; amounts in millions, except percentages)

	Three months ended March 31, 2014		Three months ended March 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	$ 261	$ 31	$ 258	$ 39	1%	(21)%
Constant-yen (1)		(1)				
Other yen-related transactions (2)		3				
Acquisition-related costs (3)		(1)				
Core Performance measures	$ 261	$ 32	$ 258	$ 39	1%	(18)%

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Life Sciences Segment
Three Months Ended March 31, 2014 and 2013
(Unaudited; amounts in millions, except percentages)

	Three months ended March 31, 2014		Three months ended March 31, 2013		% Increase/decrease	
	Net sales	**Net income**	**Net sales**	**Net income**	**Net sales**	**Net income**
As reported	$ 210	$ 17	$ 207	$ 12	1%	42%
Acquisition-related costs (1)		4		12		
Core Performance measures	$ 210	$ 21	$ 207	$ 24	1%	(13)%

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Dow Corning Corporation
Three Months Ended March 31, 2014 and 2013
(Unaudited; amounts in millions)

	Equity Earnings	
	Three months ended March 31, 2014	**Three months ended March 31, 2013**
As reported	$ 92	$ 35
Equity in earnings of affiliated companies (1)	(33)	
Hemlock semiconductor operating results (2)		7
Core Performance measures	$ 59	$ 42

(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's consolidated subsidiary, Hemlock Semiconductor: In 2013, we excluded 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 beginning in 2012. These events were primarily driven by the macro-economic environment. Specifically, the negative impact of the determination by MOFCOM, which imposes provisional anti-dumping duties on solar-grade polysilicon imports from the United States, and the impact of asset write-offs, offset by the 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. Beginning in 2014, due to the stabilization of the polycrystalline silicon industry, we will no longer exclude the operating results of Hemlock Semiconductor.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended March 31, 2014 and 2013
(Unaudited; amounts in millions)

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cash flows from operating activities	$ 1,737	$ 623
Less: Cash flows from investing activities	(301)	(122)
Plus: Short-term investments – acquisitions	445	291
Less: Short-term investments – liquidations	(338)	(469)
Free cash flow	$ 1,543	$ 323

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 non-GAAP amounts which we refer to as 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. Net sales, gross margin, equity in earnings of affiliated companies, and net income 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, 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. 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.

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 net income 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 periods presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.

(2) Purchased collars, average forward contracts and other yen-related transactions: We have excluded the impact of our purchased collars, average 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 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's consolidated subsidiary, Hemlock Semiconductor: In 2013, we excluded 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 beginning in 2012. These events were primarily driven by the macro-economic environment. Specifically, the negative impact of the determination by MOFCOM, which imposes provisional anti-dumping duties on solar-grade polysilicon imports from the United States, and the impact of asset write-offs, offset by the 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. Beginning in 2014, due to the stabilization of the polycrystalline silicon industry, we will no longer exclude the operating results of Hemlock Semiconductor from core performance measures.

(4) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.
(5) Discrete tax items: This represents the removal of discrete adjustments attributable to changes in tax law and changes in judgment about the realizability of certain deferred tax assets. This item also includes the income tax effects of adjusting from a GAAP tax rate to a core net income 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) Liquidation of subsidiary: The partial impact of non-restructuring related items due to the decision to liquidate a consolidated subsidiary that is not significant.
(9) Equity in earnings of affiliated companies: These adjustments relate to items which do not reflect expected on-going operating results of our affiliated companies, such as restructuring, impairment and other charges and settlements under “take-or-pay” contracts.
(10) Impacts from the Acquisition of Samsung Corning Precision Materials: Pre-acquisition gains and losses on previously held equity investment and other gains and losses related to the Acquisition, including the impact of the withholding tax on a dividend from Samsung Corning Precision Materials.