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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net sales	$ 1,982	$ 1,908	$ 3,796	$ 3,828
Cost of sales	1,099	1,100	2,143	2,196
Gross margin	883	808	1,653	1,632
Operating expenses:				
Selling, general and administrative expenses	266	286	525	559
Research, development and engineering expenses	179	185	357	369
Amortization of purchased intangibles	8	4	15	9
Asbestos litigation charge	6	5	8	6
Operating income	424	328	748	689
Equity in earnings of affiliated companies	166	259	339	477
Interest income	2	3	4	7
Interest expense	(28)	(24)	(64)	(44)
Other income, net	265	8	330	37
Income before income taxes	829	574	1,357	1,166
Provision for income taxes	(191)	(100)	(225)	(218)
Net income attributable to Corning Incorporated	$ 638	$ 474	$ 1,132	$ 948
Earnings per common share attributable to Corning Incorporated:				
Basic	$ 0.43	$ 0.31	$ 0.77	$ 0.63
Diluted	$ 0.43	$ 0.31	$ 0.76	$ 0.62
Dividends declared per common share	$ 0.10	$ 0.075	$ 0.19	$ 0.15

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

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net income attributable to Corning Incorporated	$ 638	$ 474	$ 1,132	$ 948
Other comprehensive (loss) income, net of tax	(256)	13	(744)	(48)
Comprehensive income attributable to Corning Incorporated	$ 382	$ 487	$ 388	$ 900

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

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 4,601	$ 4,988
Short-term investments, at fair value	870	1,156
Total cash, cash equivalents and short-term investments	5,471	6,144
Trade accounts receivable, net of doubtful accounts and allowances	1,296	1,302
Inventories	1,240	1,051
Deferred income taxes	282	579
Other current assets	764	619
Total current assets	9,053	9,695
Investments	4,809	4,915
Property, net of accumulated depreciation	9,954	10,625
Goodwill and other intangible assets, net	1,559	1,496
Deferred income taxes	2,453	2,343
Other assets	561	301
Total Assets	$ 28,389	$ 29,375
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 72	$ 76
Accounts payable	721	779
Other accrued liabilities	804	1,101
Total current liabilities	1,597	1,956
Long-term debt	2,822	3,382
Postretirement benefits other than pensions	916	930
Other liabilities	1,600	1,574
Total liabilities	6,935	7,842
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value $0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,656 million and 1,649 million	828	825
Additional paid-in capital	13,206	13,146
Retained earnings	10,754	9,932
Treasury stock, at cost; Shares held: 196 million and 179 million	(3,022)	(2,773)
Accumulated other comprehensive (loss) income	(388)	356
Total Corning Incorporated shareholders' equity	21,378	21,486
Noncontrolling interests	76	47
Total equity	21,454	21,533
Total Liabilities and Equity	$ 28,389	$ 29,375

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

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Cash Flows from Operating Activities:				
Net income	$ 638	$ 474	$ 1,132	$ 948
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	242	238	490	473
Amortization of purchased intangibles	8	4	15	9
Stock compensation charges	14	16	25	40
Undistributed earnings of affiliated companies (in excess of) less than dividends received	(145)	(256)	(157)	44
Deferred tax (benefit) provision	149	(19)	119	35
Restructuring payments	(8)		(24)	(1)
Employee benefit payments less than (in excess of) expense	11	14	26	(71)
Unrealized gains on translated earnings contracts	(232)		(232)	
Changes in certain working capital items:				
Trade accounts receivable	(40)	(19)	(23)	(68)
Inventories	(73)	(47)	(211)	(35)
Other current assets	(28)	(7)	(30)	(54)
Accounts payable and other current liabilities	(129)	6	(241)	(45)
Other, net	(12)	166	129	57
Net cash provided by operating activities	395	570	1,018	1,332
Cash Flows from Investing Activities:				
Capital expenditures	(244)	(441)	(438)	(853)
Acquisitions of businesses, net of cash received	(106)		(106)	
Investments in affiliates		(111)		(111)
Short-term investments – acquisitions	(446)	(640)	(737)	(1,168)
Short-term investments – liquidations	551	648	1,020	989
Premium on purchased collars			(107)	
Other, net	17	9	18	4
Net cash used in investing activities	(228)	(535)	(350)	(1,139)
Cash Flows from Financing Activities:				
Retirement of long-term debt			(498)	
Net repayments of short-term borrowings and current portion of long-term debt	(2)	(3)	(11)	(13)
Principal payments under capital lease obligations	(1)		(2)	(1)
Proceeds from issuance of long-term debt, net		95		886
Payments to settle interest rate hedges				(18)
Proceeds from the exercise of stock options	27	3	39	19
Repurchase of common stock for treasury	(232)	(314)	(232)	(386)
Dividends paid	(147)	(113)	(280)	(227)
Net cash (used in) provided by financing activities	(355)	(332)	(984)	260
Effect of exchange rates on cash	(8)	(185)	(71)	(106)
Net (decrease) increase in cash and cash equivalents	(196)	(482)	(387)	347
Cash and cash equivalents at beginning of period	4,797	5,490	4,988	4,661
Cash and cash equivalents at end of period	$ 4,601	$ 5,008	$ 4,601	$ 5,008

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		
	March 31, 2013	**June 30, 2013**	**June 30, 2012**
Basic	1,472	1,469	1,506
Diluted	1,481	1,478	1,518
Diluted used for non-GAAP measures	1,481	1,478	1,518

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, 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. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the 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 June 30, 2013
(Unaudited; amounts in millions, except percentages and per share amounts)

	Net sales	Equity earnings	Income before income taxes	Income taxes	Net income	Effective tax rate	Per share
As reported	$ 1,982	$ 166	$ 829	$ (191)	$ 638	23.0%	$ 0.43
Acquisition-related costs (4)			8	(3)	5		
Pension mark-to-market adjustment (6)			(41)	15	(26)		(0.02)
Asbestos settlement (5)			6	(2)	4		
Gain on change in control of equity investment (7)			(17)	6	(11)		(0.01)
Hemlock Semiconductor operating results (3)		(12)	(12)	1	(11)		(0.01)
Hemlock Semiconductor non-operating results (3)		9	9		9		0.01
Purchased collars and average rate forwards (2)			(229)	82	(147)		(0.10)
Other yen-related transactions (2)			(27)	8	(19)		(0.01)
Constant-yen (1)	39	10	36	(9)	27		0.02
Core Performance measures	$ 2,021	$ 173	$ 562	$ (93)	$ 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 March 31, 2013
(Unaudited; amounts in millions, except percentages and per share amounts)

	Net sales	Equity earnings	Income before income taxes	Income taxes	Net income	Effective tax rate	Per share
As reported	$ 1,814	$ 173	$ 528	$ (34)	$ 494	6.4%	$ 0.33
Acquisition-related costs (1)			18	(5)	13		0.01
Discrete tax items (2)				(54)	(54)		(0.04)
Asbestos settlement (3)			2	(1)	1		
Hemlock Semiconductor operating results (4)		5	5	(1)	4		
Hemlock Semiconductor non-operating results (4)		2	2		2		
Purchased collars and average rate forwards (5)			(23)	7	(16)		(0.01)
Other yen-related transactions (5)			(19)	6	(13)		(0.01)
Core Performance measures	$ 1,814	$ 180	$ 513	$ (82)	$ 431	16.0%	$ 0.29

(1) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.
(2) Discrete tax items: These items represent adjustments for effects of tax law changes which do not reflect expected on-going operating results.
(3) Certain litigation-related charges: These adjustments relate to the Pittsburgh Corning Corporation (PCC) asbestos litigation.
(4) 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.
(5) 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.

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

	Net sales	Equity earnings	Income before income taxes	Income taxes	Net income	Effective tax rate	Per share
As reported *	$ 1,908	$ 259	$ 574	$ (100)	$ 474	17.4%	$ 0.31
Asbestos settlement (1)			5	(2)	3		
Hemlock Semiconductor (2)		(8)	(8)	1	(7)		
Other yen-related transactions (3)			(6)	2	(4)		
Constant-yen (4)	(89)	(40)	(95)	17	(78)		(0.05)
Core Performance measures	$ 1,819	$ 211	$ 470	$ (82)	$ 388	17.4%	$ 0.26

(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 June 30, 2013 and 2012
(Unaudited; amounts in millions, except percentages)

	Three months ended June 30, 2013		Three months ended June 30, 2012		% Increase/decrease	
	Net sales	**Net income**	**Net sales**	**Net income**	**Net sales**	**Net income**
As reported *	$ 631	$ 337	$ 641	$ 372	(2)%	(9)%
Pension mark-to-market adjustment (1)		(9)				
Purchased collars (2)		(25)				
Other yen-related transaction (2)		(18)		(4)		
Constant-yen (3)	39	29	(89)	(84)		
Core Performance measures	$ 670	$ 314	$ 552	$ 284	21%	11%

(1) 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.

(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) 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.

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

	Three months ended June 30, 2013		Three months ended June 30, 2012		% Increase/decrease	
	Net sales	**Net income**	**Net sales**	**Net income**	**Net sales**	**Net income**
As reported *	$ 601	$ 76	$ 559	$ 37	8%	105%
Pension mark-to-market adjustment (1)		(9)				
Gain on change in control of equity investment (2)		(11)				
Acquisition-related costs (3)		4				
Core Performance measures	$ 601	$ 60	$ 559	$ 37	8%	62%

(1) 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.

(2) 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

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

*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
Environmental Technologies Segment
Three Months Ended June 30, 2013 and 2012
(Unaudited; amounts in millions, except percentages)

	Three months ended June 30, 2013		Three months ended June 30, 2012		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported *	$ 228	$ 36	$ 249	$ 34	(8)%	6%
Pension mark-to-market adjustment (1)		(3)				
Core Performance measures	$ 228	$ 33	$ 249	$ 34	(8)%	(3)%

(1) 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.

*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
Specialty Materials Segment
Three Months Ended June 30, 2013 and 2012
(Unaudited; amounts in millions, except percentages)

	Three months ended June 30, 2013		Three months ended June 30, 2012		% Increase/decrease	
	Net sales	**Net income**	**Net sales**	**Net income**	**Net sales**	**Net income**
As reported *	$ 301	$ 58	$ 296	$ 34	2%	71%
Pension mark-to-market adjustment (1)		(3)				
Other yen-related transaction (2)		(1)				
Constant-yen (3)		(1)		6		
Core Performance measures	$ 301	$ 53	$ 296	$ 40	2%	33%

(1) 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.

(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.

*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
Life Sciences Segment
Three Months Ended June 30, 2013 and 2012
(Unaudited; amounts in millions, except percentages)

	Three months ended June 30, 2013		Three months ended June 30, 2012		% Increase/decrease	
	Net sales	**Net income**	**Net sales**	**Net income**	**Net sales**	**Net income**
As reported *	$ 219	$ 25	$ 162	$ 11	35%	127%
Pension mark-to-market adjustment (1)		(3)				
Acquisition-related costs (2)		2				
Core Performance measures	$ 219	$ 24	$ 162	$ 11	35%	118%

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

*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
Gross Margin and Gross Margin Percentage
Three Months Ended June 30, 2013 and June 30, 2012
(Unaudited; amounts in millions, except percentages)

	Three months ended June 30, 2013			Three months ended June 30, 2012		
	Net Sales	Gross Margin	Gross Margin %	Net Sales	Gross Margin	Gross Margin %
As reported *	$ 1,982	$ 883	45%	$ 1,908	$ 808	42%
Acquisition-related costs (1)		1				
Pension mark-to-market adjustment (2)		(24)				
Other yen-related transactions (3)		(9)			(3)	
Constant-yen (4)	39	24		(89)	(53)	
Core Performance measures	$ 2,021	$ 875	43%	$ 1,819	$ 752	41%

(1) Acquisition-related costs: These expenses include inventory valuation adjustments.

(2) 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.

(3) 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.

(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
Three and Six Months Ended June 30, 2013
(Unaudited; amounts in millions)

	Three months ended June 30, 2013	Six months ended June 30, 2013
Cash flows from operating activities	$ 395	$ 1,018
Less: Cash flows from investing activities	(228)	(350)
Plus: Short-term investments – acquisitions	446	737
Less: Short-term investments – liquidations	(551)	(1,020)
Free cash flow	$ 62	$ 385

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. Net sales, equity in earnings of affiliated companies, and net income are adjusted to exclude the impacts of changes in the Japanese yen, the impact of 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 and pension mark-to-market adjustments. 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 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) Discrete tax items: These items represent adjustments for effects of tax law changes which do not reflect expected on-going operating results.

(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 June 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.