

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

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Net sales	\$ 2,404	\$ 1,956	\$ 9,715	\$ 7,819
Cost of sales	1,408	1,186	5,663	4,495
Gross margin	996	770	4,052	3,324
Operating expenses:				
Selling, general and administrative expenses	242	332	1,211	1,126
Research, development and engineering expenses	210	169	815	710
Amortization of purchased intangibles	8	8	33	31
Restructuring, impairment and other charges	20	71	71	67
Asbestos litigation charge	(20)	6	(9)	19
Operating income	536	184	1,931	1,371
Equity in earnings of affiliated companies	23	70	266	547
Interest income	5	3	26	8
Interest expense	(32)	(28)	(123)	(120)
Transaction-related gain, net			74	
Other income, net	805	338	1,394	667
Income before income taxes	1,337	567	3,568	2,473
Provision for income taxes	(349)	(146)	(1,096)	(512)
Net income attributable to Corning Incorporated	<u>\$ 988</u>	<u>\$ 421</u>	<u>\$ 2,472</u>	<u>\$ 1,961</u>
Earnings per common share attributable to Corning Incorporated:				
Basic	<u>\$ 0.76</u>	<u>\$ 0.30</u>	<u>\$ 1.82</u>	<u>\$ 1.35</u>
Diluted	<u>\$ 0.70</u>	<u>\$ 0.30</u>	<u>\$ 1.73</u>	<u>\$ 1.34</u>
Dividends declared per common share	<u>\$ 0.22</u>	<u>\$ 0.10</u>	<u>\$ 0.52</u>	<u>\$ 0.39</u>

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited; in millions, except per share amounts)

	December 31,	
	2014	2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,309	\$ 4,704
Short-term investments, at fair value	759	531
Total cash, cash equivalents and short-term investments	6,068	5,235
Trade accounts receivable, net of doubtful accounts and allowances	1,501	1,253
Inventories	1,322	1,270
Deferred income taxes	248	278
Other current assets	1,099	855
Total current assets	10,238	8,891
Investments	1,801	5,537
Property, net of accumulated depreciation	12,766	9,801
Goodwill, net	1,150	1,002
Other intangible assets, net	497	540
Deferred income taxes	1,889	2,234
Other assets	1,722	473
	30,063	28,478
<b>Total Assets</b>	<b>\$ 30,063</b>	<b>\$ 28,478</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 36	\$ 21
Accounts payable	997	771
Other accrued liabilities	1,291	954
Total current liabilities	2,324	1,746
Long-term debt	3,227	3,272
Postretirement benefits other than pensions	814	766
Other liabilities	2,046	1,483
Total liabilities	8,411	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: 1,672 million and 1,661 million	836	831
Additional paid-in capital – common stock	13,456	13,066
Retained earnings	13,021	11,320
Treasury stock, at cost; shares held: 398 million and 262 million	(6,727)	(4,099)
Accumulated other comprehensive (loss) income	(1,307)	44
Total Corning Incorporated shareholders' equity	21,579	21,162
Noncontrolling interests	73	49
Total equity	21,652	21,211
<b>Total Liabilities and Equity</b>	<b>\$ 30,063</b>	<b>\$ 28,478</b>

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2014	2013	2014	2013
<b>Cash Flows from Operating Activities:</b>				
Net income	\$ 988	\$ 421	\$ 2,472	\$ 1,961
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	290	241	1,167	971
Amortization of purchased intangibles	8	8	33	31
Restructuring, impairment and other charges	20	71	71	67
Stock compensation charges	11	14	58	54
Equity in earnings of affiliated companies	(23)	(70)	(266)	(547)
Dividends received from affiliated companies	31	409	1,704	630
Deferred tax provision	198	48	612	189
Restructuring payments	(9)	(5)	(39)	(35)
Employee benefit payments (in excess of) less than expense	(47)	18	(52)	52
Gains on translated earnings contracts	(769)	(230)	(1,369)	(435)
Unrealized translation losses (gains) on transactions	192	(9)	431	96
Contingent consideration fair value adjustment	(172)		(249)	
Changes in certain working capital items:				
Trade accounts receivable	47	110	(16)	(29)
Inventories	(25)	(9)	2	(247)
Other current assets	(33)	20	(16)	34
Accounts payable and other current liabilities	336	255	(3)	(23)
Other, net	69	(8)	169	18
<b>Net cash provided by operating activities</b>	<b>1,112</b>	<b>1,284</b>	<b>4,709</b>	<b>2,787</b>
<b>Cash Flows from Investing Activities:</b>				
Capital expenditures	(336)	(337)	(1,076)	(1,019)
Acquisitions of businesses, net of cash received		(2)	66	(68)
Investments in unconsolidated entities		(507)	(109)	(526)
Proceeds from loan repayments from unconsolidated entities	8	4	23	8
Short-term investments – acquisitions	(228)	(223)	(1,398)	(1,406)
Short-term investments – liquidations	213	577	1,167	2,026
Premium on purchased collars				(107)
Realized gains on translated earning contracts	135	54	361	87
Other, net	(1)	5	4	1
<b>Net cash used in investing activities</b>	<b>(209)</b>	<b>(429)</b>	<b>(962)</b>	<b>(1,004)</b>
<b>Cash Flows from Financing Activities:</b>				
Retirements of long-term debt, net				(498)
Net repayments of short-term borrowings and current portion of long-term debt	(2)	(2)	(52)	(71)
Proceeds from issuance of long-term debt, net		248		248
Proceeds from issuance of short-term debt, net	7		29	
Payments from issuance of commercial paper	(424)			
Proceeds from the settlement of interest rate swap agreements		33		33
Principal payments under capital lease obligations	(5)	(5)	(6)	(7)
Proceeds from issuance of preferred stock (1)			400	
Proceeds received for asset financing and related incentives, net	1	194	1	276
Payments to acquire noncontrolling interest				(47)
Proceeds from the exercise of stock options	18	31	116	85
Repurchases of common stock for treasury	(183)	(1,075)	(2,483)	(1,516)
Dividends paid	(152)	(140)	(591)	(566)
<b>Net cash used in financing activities</b>	<b>(740)</b>	<b>(716)</b>	<b>(2,586)</b>	<b>(2,063)</b>
Effect of exchange rates on cash	(207)	5	(556)	(4)
Net (decrease) increase in cash and cash equivalents	(44)	144	605	(284)
Cash and cash equivalents at beginning of period	5,353	4,560	4,704	4,988
<b>Cash and cash equivalents at end of period</b>	<b>\$ 5,309</b>	<b>\$ 4,704</b>	<b>\$ 5,309</b>	<b>\$ 4,704</b>

- (1) 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 also issued to Samsung Display an additional amount of Preferred Stock at closing, for an issue price of \$400 million in cash.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**(Unaudited)**

***GAAP Earnings per Common Share***

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

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Net income attributable to Corning Incorporated	\$ 988	\$ 421	\$ 2,472	\$ 1,961
Less: Series A convertible preferred stock dividend	24		94	
Net income available to common stockholders - basic	964	421	2,378	1,961
Plus: Series A convertible preferred stock dividend	24		94	
Net income available to common stockholders - diluted	\$ 988	\$ 421	\$ 2,472	\$ 1,961
Weighted-average common shares outstanding - basic	1,276	1,414	1,305	1,452
Effect of dilutive securities:				
Stock options and other dilutive securities	11	10	12	10
Series A convertible preferred stock dividend	115		110	
Weighted-average common shares outstanding - diluted	1,402	1,424	1,427	1,462
Basic earnings per common share	\$ 0.76	\$ 0.30	\$ 1.82	\$ 1.35
Diluted earnings per common share	\$ 0.70	\$ 0.30	\$ 1.73	\$ 1.34

### ***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		Year ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Core earnings attributable to Corning Incorporated	\$ 630	\$ 410	\$ 2,185	\$ 1,797
Less: Series A convertible preferred stock dividend	24		94	
Core earnings available to common stockholders - basic	606	410	2,091	1,797
Add: Series A convertible preferred stock dividend	24		94	
Core earnings available to common stockholders - diluted	\$ 630	\$ 410	\$ 2,185	\$ 1,797
Weighted-average common shares outstanding - basic	1,276	1,414	1,305	1,452
Effect of dilutive securities:				
Stock options and other dilutive securities	11	10	12	10
Series A convertible preferred stock	115		110	
Weighted-average common shares outstanding - diluted	1,402	1,424	1,427	1,462
Core basic earnings per common share	\$ 0.47	\$ 0.29	\$ 1.60	\$ 1.24
Core diluted earnings per common share	\$ 0.45	\$ 0.29	\$ 1.53	\$ 1.23

### **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 and Korean won, the impact of the purchased and zero cost collars, average forward contracts and other yen-related transactions, acquisition-related costs, the 2013 results of the polysilicon business of our equity affiliate Dow Corning Corporation, discrete tax items, restructuring and restructuring-related charges, certain litigation and regulatory expenses, pension mark-to-market adjustments, and other items which do not reflect on-going operating results of the Company or our equity affiliates. Management discussion and analysis on our reportable segments has also been adjusted for these items. 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. Further explanation of the Company’s reconciliation 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 December 31, 2014**  
(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	\$ 2,404	\$ 23	\$ 1,337	\$ 988	26.1%	\$ 0.70
Constant-yen (1)	198		162	118		0.09
Constant-won (1)			3	2		
Purchased collars and average forward contracts (2)			(769)	(510)		(0.36)
Acquisition-related costs (4)			8	5		
Discrete tax items and other tax-related adjustments (5)				42		0.03
Litigation, regulatory and other legal matters (6)			(13)	(9)		(0.01)
Restructuring, impairment and other charges (7)			23	15		0.01
Liquidation of subsidiary (8)						
Equity in earnings of affiliated companies (9)		93	93	86		0.06
Contingent consideration fair value adjustment (10)			(172)	(134)		(0.10)
Other items related to the Acquisition of Samsung Corning Precision Materials (10)			3	3		
Pension mark-to-market adjustment (11)			29	24		0.02
<b>Core performance measures</b>	<b>\$ 2,602</b>	<b>\$ 116</b>	<b>\$ 704</b>	<b>\$ 630</b>	<b>10.5%</b>	<b>\$ 0.45</b>

See Reconciliation of Non-GAAP Financial Measures, "Items which we exclude from GAAP measures to arrive at Core Performance measures" for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Three Months Ended December 31, 2013**

(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	\$ 1,956	\$ 70	\$ 567	\$ 421	25.7%	\$ 0.30
Constant-yen (1)	49	14	46	38		0.03
Purchased collars and average rate forwards (2)			(228)	(149)		(0.10)
Other yen-related transactions (2)			(28)	(20)		(0.01)
Hemlock Semiconductor operating results (3)		(27)	(27)	(26)		(0.02)
Acquisition-related costs (4)			18	15		0.01
Discrete tax items and other tax- related adjustments (5)				6		
Litigation, regulatory and other legal matters (6)			6	4		
Restructuring, impairment and other charges (7)			67	46		0.03
Equity in earnings of affiliated companies (9)		64	64	64		0.04
Pension mark-to-market adjustment (11)			11	9		0.01
Other			4	2		
<b>Core performance measures</b>	<b>\$ 2,005</b>	<b>\$ 121</b>	<b>\$ 500</b>	<b>\$ 410</b>	<b>18.0%</b>	<b>\$ 0.29</b>

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE**  
**Year Ended December 31, 2014**  
(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	\$ 9,715	\$ 266	\$ 3,568	\$ 2,472	30.7%	\$ 1.73
Constant-yen (1)	502	2	419	306		0.22
Constant-won (1)			37	26		0.02
Purchased collars and average forward contracts (2)			(1,369)	(916)		(0.64)
Acquisition-related costs (4)			74	57		0.04
Discrete tax items and other tax-related adjustments (5)				240		0.17
Litigation, regulatory and other legal matters (6)			(1)	(2)		
Restructuring, impairment and other charges (7)			86	66		0.05
Liquidation of subsidiary (8)				(3)		
Equity in earnings of affiliated companies (9)		43	43	38		0.03
Gain on previously held equity investment (10)			(394)	(292)		(0.20)
Settlement of pre-existing contract (10)			320	320		0.22
Contingent consideration fair value adjustment (10)			(249)	(194)		(0.14)
Post-combination expenses (10)			72	55		0.04
Other items related to the Acquisition of Samsung Corning Precision Materials (10)			(10)	(12)		(0.01)
Pension mark-to-market adjustment (11)			29	24		0.02
<b>Core performance measures</b>	<b>\$ 10,217</b>	<b>\$ 311</b>	<b>\$ 2,625</b>	<b>\$ 2,185</b>	<b>16.8%</b>	<b>\$ 1.53</b>

See Reconciliation of Non-GAAP Financial Measures, "Items which we exclude from GAAP measures to arrive at Core Performance measures" for the descriptions of the footnoted reconciling items.



**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Year Ended December 31, 2013**

(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	\$ 7,819	\$ 547	\$ 2,473	\$ 1,961	20.7%	\$ 1.34
Constant-yen (1)	129	36	122	96		0.07
Purchased collars and average rate forwards (2)			(435)	(287)		(0.20)
Other yen-related transactions (2)			(99)	(69)		(0.05)
Hemlock Semiconductor operating results (3)		(31)	(31)	(30)		(0.02)
Hemlock Semiconductor non- operating results (3)		1	1	1		
Acquisition-related costs (4)			54	40		0.03
Discrete tax items and other tax-related adjustments (5)				9		0.01
Litigation, regulatory and other legal matters (6)			19	13		0.01
Restructuring, impairment and other charges (7)			67	46		0.03
Equity in earnings of affiliated companies (9)		42	42	44		0.02
Pension mark-to-market adjustment (11)			(30)	(17)		(0.01)
Gain on change in control of equity investment (12)			(17)	(12)		(0.01)
Other			4	2		
<b>Core performance measures</b>	<b>\$ 7,948</b>	<b>\$ 595</b>	<b>\$ 2,170</b>	<b>\$ 1,797</b>	<b>17.2%</b>	<b>\$ 1.23</b>

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Display Technologies Segment**

**Three Months Ended December 31, 2014 and 2013**

(Unaudited; amounts in millions, except percentages)

	Three months ended December 31, 2014			Three months ended December 31, 2013			% Increase/decrease		
	Net sales	Equity earnings	Net income	Net sales	Equity earnings	Net income	Net sales	Equity earnings	Net income
As reported	\$ 926	\$ (4)	\$ 491	\$ 616	\$ 43	\$ 263	50%	(109)%	87%
Constant-yen (1)	196	1	126	49	14	39			
Constant-won (1)			2						
Purchased collars (2)			(118)			(37)			
Other yen-related transaction (2)						(19)			
Acquisition related costs (4)						8			
Discrete tax items and other tax-related adjustments (5)						10			
Restructuring, impairment and other charges (7)			9			6			
Equity in earnings of affiliated companies (9)					28	28			
Contingent consideration fair value adjustment (10)			(134)						
Other items related to the Acquisition of Samsung Corning Precision Materials (10)	1								
Pension mark-to-market adjustment (11)			2			1			
Core performance measures	\$ 1,123	\$ (3)	\$ 378	\$ 665	\$ 85	\$ 299	69%	(104)%	26%

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Display Technologies Segment**

**Years Ended December 31, 2014 and 2013**

(Unaudited; amounts in millions, except percentages)

	Year ended December 31, 2014			Year ended December 31, 2013			% Increase/decrease		
	Net sales	Equity earnings	Net income	Net sales	Equity earnings	Net income	Net sales	Equity earnings	Net income
As reported	\$ 3,851	\$ (20)	\$ 1,369	\$ 2,545	\$ 357	\$ 1,267	51%	(106)%	8%
Constant-yen (1)	502	3	316	129	35	99			
Constant-won (1)			27						
Purchased collars (2)			(290)			(90)			
Other yen-related transaction (2)						(67)			
Acquisition related costs (4)			37			8			
Discrete tax items and other tax-related adjustments (5)			4			10			
Restructuring, impairment and other charges (7)			40			6			
Equity in earnings of affiliated companies (9)		7	6		28	28			
Contingent consideration fair value adjustment (10)			(194)						
Other items related to the Acquisition of Samsung Corning Precision Materials (10)	1		73						
Pension mark-to-market adjustment (11)			2			(8)			
<b>Core performance measures</b>	<b>\$ 4,354</b>	<b>\$ (10)</b>	<b>\$ 1,390</b>	<b>\$ 2,674</b>	<b>\$ 420</b>	<b>\$ 1,253</b>	<b>63%</b>	<b>(102)%</b>	<b>11%</b>

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Optical Communications Segment**

**Three Months Ended December 31, 2014 and 2013**

(Unaudited; amounts in millions, except percentages)

	Three months ended December 31, 2014		Three months ended December 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	\$ 676	\$ 49	\$ 605	\$ 26	12%	88%
Acquisition-related costs (4)		(8)		2		
Restructuring, impairment and other charges (7)		5		8		
Pension mark-to-market adjustment (11)		13				
Core performance measures	\$ 676	\$ 59	\$ 605	\$ 36	12%	64%

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Optical Communications Segment**

**Years Ended December 31, 2014 and 2013**

(Unaudited; amounts in millions, except percentages)

	Year ended December 31, 2014		Year ended December 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	\$ 2,652	\$ 205	\$ 2,326	\$ 199	14%	3%
Acquisition-related costs (4)		(2)		9		
Restructuring, impairment and other charges (7)		17		8		
Liquidation of subsidiary (8)		(2)				
Pension mark-to-market adjustment (11)		13		(9)		
Gain on change in control of equity investment (12)				(11)		
Core performance measures	\$ 2,652	\$ 231	\$ 2,326	\$ 196	14%	18%

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Environmental Technologies Segment**  
**Three Months Ended December 31, 2014 and 2013**  
(Unaudited; amounts in millions, except percentages)

	Three months ended December 31, 2014		Three months ended December 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	\$ 250	\$ 35	\$ 238	\$ 37	5%	(5)%
Restructuring, impairment and other charges (7)				1		
Pension mark-to-market adjustment (11)		5				
Core performance measures	\$ 250	\$ 40	\$ 238	\$ 38	5%	5%

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES  
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP  
FINANCIAL MEASURE**

**Environmental Technologies Segment  
Years Ended December 31, 2014 and 2013**  
(Unaudited; amounts in millions, except percentages)

	Year ended December 31, 2014		Year ended December 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	\$ 1,092	\$ 182	\$ 919	\$ 132	19%	38%
Restructuring, impairment and other charges (7)				1		
Pension mark-to-market adjustment (11)		5		(3)		
Core performance measures	\$ 1,092	\$ 187	\$ 919	\$ 130	19%	44%

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Specialty Materials Segment**

**Three Months Ended December 31, 2014 and 2013**

(Unaudited; amounts in millions, except percentages)

	Three months ended December 31, 2014		Three months ended December 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	\$ 319	\$ 31	\$ 285	\$ 25	12%	24%
Constant-yen (1)		(3)		(1)		
Other yen-related transactions (2)				(1)		
Purchased collars (2)		5		2		
Acquisition-related costs (4)				1		
Restructuring, impairment and other charges (7)		1		12		
Pension mark-to-market adjustment (11)				1		
Core performance measures	\$ 319	\$ 34	\$ 285	\$ 39	12%	(13)%

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.



**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Specialty Materials Segment**

**Years Ended December 31, 2014 and 2013**

(Unaudited; amounts in millions, except percentages)

	Year ended December 31, 2014		Year ended December 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	\$ 1,205	\$ 144	\$ 1,170	\$ 187	3%	(23)%
Constant-yen (1)		(7)		(2)		
Purchased collars (2)		14				
Acquisition-related costs (4)		(1)		1		
Restructuring, impairment and other charges (7)		12		12		
Pension mark-to-market adjustment (11)				(2)		
Core performance measures	\$ 1,205	\$ 162	\$ 1,170	\$ 196	3%	(17)%

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Life Sciences Segment**

**Three Months Ended December 31, 2014 and 2013**

(Unaudited; amounts in millions, except percentages)

	Three months ended December 31, 2014		Three months ended December 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	\$ 215	\$ 17	\$ 210	\$ 14	2%	21%
Acquisition-related costs (4)		3		4		
Restructuring, impairment and other charges (7)		2		3		
Core performance measures	\$ 215	\$ 22	\$ 210	\$ 21	2%	5%

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Life Sciences Segment**

**Years Ended December 31, 2014 and 2013**

(Unaudited; amounts in millions, except percentages)

	Year ended December 31, 2014		Year ended December 31, 2013		% Increase/decrease	
	Net sales	Net income	Net sales	Net income	Net sales	Net income
As reported	\$ 862	\$ 71	\$ 851	\$ 71	1%	0%
Acquisition-related costs (4)		14		21		
Restructuring, impairment and other charges (7)		2		3		
Pension mark-to-market adjustment (11)				(3)		
Core performance measures	\$ 862	\$ 87	\$ 851	\$ 92	1%	(5)%

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

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

	<b>Equity Earnings</b>	
	<b>Three months ended December 31, 2014</b>	<b>Three months ended December 31, 2013</b>
As reported	\$ 18	\$ 59
Equity in earnings of affiliated companies (9)	93	
Hemlock semiconductor operating results (9)		(1)
Hemlock semiconductor non-operating results (9)		(27)
<b>Core performance measures</b>	<b>\$ 111</b>	<b>\$ 31</b>

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**  
**Dow Corning Corporation**  
**Years ended December 31, 2014 and 2013**  
(Unaudited; amounts in millions)

	<b>Equity Earnings</b>	
	<b>Year ended December 31, 2014</b>	<b>Year ended December 31, 2013</b>
As reported	\$ 252	\$ 196
Equity in earnings of affiliated companies (9)	35	(19)
Hemlock semiconductor operating results (9)		(31)
Hemlock semiconductor non-operating results (9)		(1)
<b>Core performance measures</b>	<b>\$ 287</b>	<b>\$ 145</b>

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP**  
**FINANCIAL MEASURE**

**Three Months Ended December 31, 2014 and 2013**

(Unaudited; amounts in millions)

	Three months ended December 31, 2014				Three months ended December 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	\$ 996	41%	\$ 242	\$ 210	\$ 770	39%	\$ 332	\$ 169
Constant-yen (1)	162				33			
Constant-won (1)	2							
Other yen-related transactions (2)					(9)			
Acquisition-related costs (4)			16				(10)	
Litigation, regulatory and other legal matters (6)			(22)					
Contingent consideration fair value adjustment (10)			172					
Pension mark-to-market adjustment (11)	2		(28)	(1)			(11)	
Core performance measures	\$ 1,162	45%	\$ 380	\$ 209	\$ 794	40%	\$ 311	\$ 169

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

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

	Year ended December 31, 2014				Year ended December 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	\$ 4,052	42%	\$ 1,211	\$ 815	\$ 3,324	43%	\$ 1,126	\$ 710
Constant-yen (1)	420				87			
Constant-won (1)	28		(2)	(2)				
Other yen-related transactions (2)					(32)			
Acquisition-related costs (4)	30		(3)		12		(13)	
Litigation, regulatory and other legal matters (6)			(22)					
Restructuring, impairment and other charges (7)	25		16					
Contingent consideration fair value adjustment (10)			249					
Post-combination expenses (10)			(72)					
Other items related to the Acquisition of Samsung Corning Precision Materials (10)	14							
Pension mark-to-market adjustment (11)	2		(28)	(1)	(24)			7
Core performance measures	\$ 4,571	45%	\$ 1,349	\$ 812	\$ 3,367	42%	\$ 1,113	\$ 717

See Reconciliation of Non-GAAP Financial Measures, “Items which we exclude from GAAP measures to arrive at Core Performance measures” for the descriptions of the footnoted reconciling items.

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

	<b>Three months ended December 31, 2014</b>	<b>Year ended December 31, 2014</b>
Cash flows from operating activities	\$ 1,112	\$ 4,709
Less: Cash flows from investing activities	(209)	(962)
Plus: Short-term investments – acquisitions	228	1,398
Less: Short-term investments – liquidations	(213)	(1,167)
<b>Free cash flow</b>	<b>\$ 918</b>	<b>\$ 3,978</b>



## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

### 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 2013 results of the polysilicon business of our equity affiliate Dow Corning Corporation, discrete tax items, restructuring and restructuring-related charges, certain litigation and regulatory 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-currency adjustments:  
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 of translating yen into dollars. Presenting results on a constant-yen basis mitigates the translation impact of the Japanese yen, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and establish operational goals and forecasts. As of December 31, 2014, we used an internally derived management rate of ¥93, which is aligned to our yen portfolio of purchased collars, and have recast all periods presented based on this rate in order to effectively remove the impact of changes in the Japanese yen.  
Constant-won: Following the Acquisition of Samsung Corning Precision Materials and because a significant portion of Samsung Corning Precision Materials' (now Corning Precision Materials) costs are denominated in Korean won, management believes it is important to understand the impact on core earnings from translating won into dollars. Presenting results on a constant-won basis mitigates the translation impact of the Korean won, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and establish operational goals and forecasts without the variability caused by the fluctuations caused by changes in the rate of this currency. We use an internally derived management rate of 1,100, which is consistent with historical prior period averages of the won. We have not recast prior periods presented as the impact is not material to Corning in those periods.
- (2) Purchased and zero cost collars, average forward contracts and other yen-related transactions: We have excluded the impact of our yen-denominated purchased collars, average forward contracts, and other yen-related transactions for each period presented. Additionally, we are also excluding the impact of our portfolio of Korean won-denominated zero cost collars which we entered into in the second quarter of 2014. 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-currency adjustments, we have materially mitigated the impact of changes in the Japanese yen and Korean won.

- (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 the Chinese Ministry of Commerce (“MOFCOM”), which imposed 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 Semiconductor 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 and other tax-related adjustments: 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, as well as other non-operational tax-related adjustments, including an out of period adjustment in 2014. This item also includes the income tax effects of adjusting from GAAP earnings to core earnings.
- (6) Litigation, regulatory and other legal matters: Includes amounts related to the Pittsburgh Corning Corporation (PCC) asbestos litigation, adjustments to our estimated liability for environmental-related items and the settlement of litigation related to a small acquisition.
- (7) Restructuring, impairment and other charges. This amount includes restructuring, impairment and other charges, as well as other expenses and disposal costs not classified as restructuring expense.
- (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 post-combination expenses, fair value adjustments to the indemnity asset related to contingent consideration and the impact of the withholding tax on a dividend from Samsung Corning Precision Materials.
- (11) 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.
- (12) 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.
- (13) Loss on repurchase of debt: In 2012, Corning recorded a loss on the repurchase of \$13 million of our 8.875% senior unsecured notes due 2021, \$11 million of our 8.875% senior unsecured notes due 2016, and \$51 million of our 6.75% senior unsecured notes due 2013.
- (14) Accumulated other comprehensive income: In 2012, Corning recorded a translation capital gain on the liquidation of a foreign subsidiary.