2014 Annual Report

CORNING

Corning is one of the world's leading innovators in materials science. For more than 160 years, Corning has applied its unparalleled expertise in specialty glass, ceramics, and optical physics to develop products that have created new industries and transformed people's lives.

Wendell P. Weeks
Chairman of the Board,
Chief Executive Officer,
and President

To Our Shareholders,

Corning has certainly come a long way since January 2012 when we declared our mandate to "March Up" in response to a decline in net income that began the prior year.

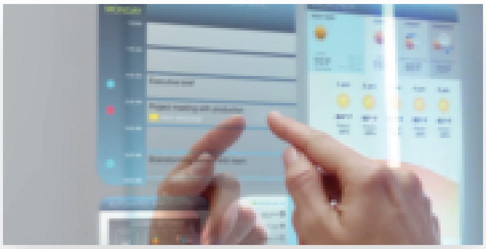
In 2014, we delivered our ninth consecutive quarter of core year-over-year earnings-per-share growth, along with the highest sales in Corning's history. We successfully completed the acquisition of Samsung Corning Precision Materials (now Corning Precision Materials). We launched new products and advanced innovation programs across our businesses. And we returned cash to shareholders through dividend increases and share repurchases.

Thanks to outstanding execution by our 35,000 employees across the globe, Corning has entered 2015 as a bigger, stronger, and more agile company. We are financially healthy, we have multiple businesses driving our growth, and we are capturing exciting new opportunities to apply our materials and process expertise to solve tough technology challenges.

Corning's 2014 performance proves once again that this company is built to survive difficult times and emerge as a better version of itself. Our results also demonstrate that you can count on us to do what we say we're going to do.

Strong Financial and Operational Performance

In last year's letter, I said that after effectively stabilizing the company, we would shift our focus to growth. We honored that commitment. In 2014, we delivered record core sales of more than $10 billion; we increased sales in all our businesses; we grew core earnings per share each quarter; and we generated strong free cash flow. Along the way, we maintained a strong balance sheet, which helps ensure we have the stability to weather difficult times when they come.



Bringing *A Day Made of Glass* to Life

Corning's products and markets have changed many times over the years, but our innovations share fundamental ingredients: a really tough problem; a combination of materials and process innovation; and a solution that makes a real difference in people's lives. This formula has led to more than 160 years of life-changing innovations, and we continue to apply it today.

Four years ago, we shared Corning's vision for the future in our video, *A Day Made of Glass*. People were excited by the idea of living in the world we depicted — a world of ubiquitous displays, intuitive interfaces, seamless delivery of real-time information, and everyday surfaces with extraordinary capabilities. In four short years, we've made significant progress bringing this world to life.

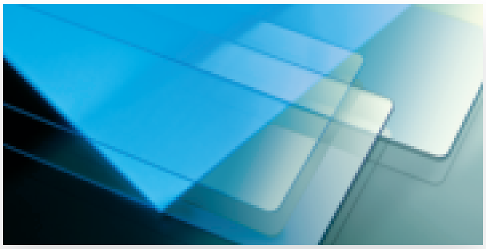
Of course, the numbers alone don't give you the full picture. While Corning's performance has historically been driven by a primary business, we now have multiple business segments that are contributing materially to the company's growth. Display Technologies remains a revenue, profit, and cash-generation powerhouse for us, despite a maturing LCD market. At the same time, aggregate sales in our four other major business segments grew more than 10 percent from 2013, driven by exceptional results in Optical Communications and Environmental Technologies.

In addition, it is worth noting that we achieved Corning's earnings growth not only by capturing market opportunities, but also by reducing costs. Several businesses significantly increased manufacturing efficiencies, while our staff groups did a terrific job setting priorities and controlling spending. Last year I observed that our employees are united in their determination to preserve this great institution. That dedication was certainly evident in 2014, as every part of the company contributed to Corning's improvement.

Here's a closer look at how each of our major businesses performed:

- Sales in *Display Technologies* increased dramatically from 2013, driven by the consolidation of Corning Precision Materials, strong TV retail sales, and the shift to larger screen sizes. It was a record year for LCD glass volume, and outstanding operational performance contributed to higher profits. Meanwhile, the supply chain maintained healthy inventory levels, and price declines returned to moderate levels in the second half of the year.
- In *Optical Communications,* strong demand for fiber to the home, data centers, and wireless technologies drove double-digit sales growth. We also increased profitability through tight control of operational expenses.
- In *Environmental Technologies,* new emissions-control regulations in China and Europe created strong demand for our diesel products, propelling the business to more than $1 billion in sales. Profits were also up significantly from last year, thanks to higher volume and greater manufacturing efficiencies.
- In *Specialty Materials,* sales and Gorilla® Glass volume were up from 2013. However, results were lower than expected due primarily to a weak tablet market.
- In *Life Sciences,* we continue to realize synergies from the integration of Discovery Labware (acquired in 2012), but lower spending levels by the National Institutes of Health negatively impacted the segment's growth.

Although we are navigating some market challenges, the diversity of Corning's business portfolio remains a key advantage, evidenced by the company's strong performance overall.



High-Performance Displays

We depicted lifelike displays that dissolve the boundaries between the physical and the virtual world. Since then, Corning has developed new glass compositions, such as the Corning Lotus Glass family, to enable next-generation mobile and IT displays that provide unprecedented picture quality, sleek form factors, and lower power consumption.

Always-On Information

Our video portrayed an always-on world, with massive amounts of data that you can access anytime, anywhere. In 2014, Corning began rolling out an all-optical distributed antenna system called ONE™ Wireless. This technology enables clear signals and maximum bandwidth — even in really tough indoor environments like convention centers and sports stadiums where thousands of people are connecting at once.

Value for Shareholders

As our earnings improved, the stock market responded in kind. Corning's stock price was up 30 percent for the year, our second consecutive year of outperforming the major market indices.

In the fourth quarter, Corning announced a 20 percent increase in the company's quarterly common stock dividend and a new $1.5 billion share-repurchase program, honoring our commitment to return cash to shareholders. These actions mark our fourth dividend increase and fourth share-repurchase program since October 2011.

New Growth Drivers

As part of our commitment to growth, we are actively creating new revenue and profit drivers through a combination of strategic acquisitions and new business development.

The integration of Corning Precision Materials was one of our stated priorities for the year, and I'm pleased to report that this effort has been incredibly successful. We realized $100 million in pre-tax synergies in 2014 and expect to achieve even greater synergies in the coming years. This transaction is also delivering many strategic benefits. We increased the flexibility of our fusion assets and our ability to serve our global customers. We added 3,500 talented employees. And we gained access to low-cost manufacturing platforms that we can leverage to develop new fusion-glass products with smaller capital expenditures.

We also announced two acquisitions in December to increase Corning's strength in Optical Communications. The integration of Samsung Electronics' optical fiber business will help us capture growth in Asia, while the addition of TR Manufacturing, Inc. increases our market access and enhances our ability to offer comprehensive optical solutions to our enterprise customers.

Of course, the primary way Corning grows is through innovation. Here are a few success stories from 2014:

- In November, we announced the highly anticipated launch of Corning® Gorilla® Glass 4. This new composition is up to *twice as tough* as competitive cover glasses and specifically formulated to reduce screen breakage when users drop their mobile devices.
- We made good progress extending Gorilla Glass into adjacent markets. We secured new automotive and architectural customers, and earned BMW's supplier innovation award for our lightweight automotive Gorilla Glass.
- In a colorful twist on our prior fiber inventions, we launched Corning® Fibrance™ light-diffusing fiber, which is designed to provide thin, multi-colored, aesthetic lighting. Fibrance allows designers to enhance a product's functionality and appeal by adding light how and where they want it.

Ultra-Slim, Flexible Display Devices

We imagined futuristic displays that combine the flexibility of plastic with the superior transparency, stability, and optical quality of glass. In 2013, Corning rolled out ultra-slim Willow® Glass, which is thinner than a dollar bill, and our scientists continue to increase its flexibility. This remarkable glass could help bring exciting new technologies to life, including rollable displays and wearable technologies.

Dynamic Windows

We envisioned electrochromic windows that transition automatically from transparent to opaque, to increase people's comfort and reduce energy consumption. Today, Corning is working with a company called View to develop dynamic architectural glass. We think dynamic windows could capture a significant portion of the commercial window market opportunity — and may even be part of your home someday soon.

- We rolled out Corning's ONE™ Wireless technology, which is delivering robust, reliable optical connections in venues such as Texas A&M University's Kyle Field.
- We continued Corning's track record of clean-air innovations with the introduction of Corning FLORA™ technology. This revolutionary system addresses the critical problem of cold-start emissions, which occur in the first 30 seconds of starting an engine and are responsible for 70 percent of a car's total emissions.

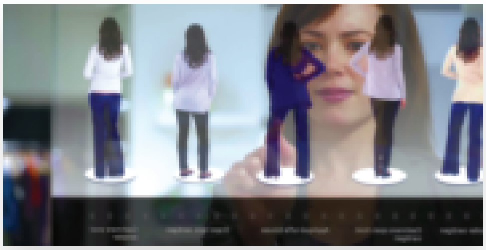
Our diverse innovation portfolio includes products at all stages of development to drive both near-term and future growth. And while our new business opportunities understandably generate a lot of excitement, there is another important part of our research and development efforts that stakeholders often overlook. More than half of Corning's R&D investment is devoted to innovating for existing businesses. Our ability to innovate throughout a product and industry's life cycle is one of the primary reasons for Corning's long-term competitive advantage in the markets where we compete. For example, Corning has increased its leadership position in LCD glass, despite slower growth in the industry overall, through product innovations such as new compositions that enable thinner displays and process improvements that increase yields. Our ongoing innovations allow us to capture a significant share of the market, achieve the lowest-cost manufacturing position, gain the trust and loyalty of our customers, and earn a higher share of the industry's profits. In fact, over the past few years, we have generated approximately two-and-a-half times the profit per dollar of revenue versus competitors in our major market segments. When you consider the impact Corning's inventions have had on the world and the competitive advantage we create through R&D, you can understand why our commitment to innovation is unwavering.

Looking Ahead

Corning's 2015 focus is to sustain momentum in all major businesses while leveraging our innovation engine to drive both near-term and long-term growth. We expect to grow core sales and earnings, while increasing efficiencies across the company. And, of course, we will always live our values to preserve the trust of all of our stakeholders.

Here are a few key focus areas:

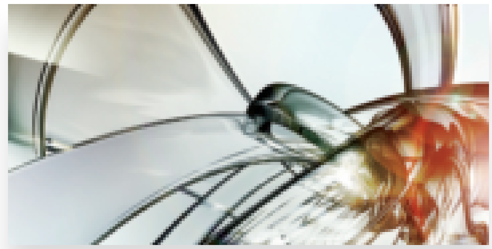
- We will realize even greater financial synergies from Corning Precision Materials.
- We believe we can capture new opportunities in Display Technologies. Sales of ultra-high-definition televisions are expected to double in 2015. Moreover, we've developed a new glass composition called Iris™ that enables thinner form factors for advanced displays by replacing plastic and metal structural components.



Digital Fitting Rooms

Our video portrayed sophisticated shopping experiences that blended digital and physical environments. Today, we're working with eBay Enterprise to take interactive shopping to the next level by creating digital fitting rooms that allow customers to experiment virtually.

The technology would create a more efficient experience for consumers, while providing retailers the opportunity to target customers more precisely.



These are just a few of the ways we are bringing our vision to life. As more designers and technology developers discover the remarkable technical and aesthetic properties of glass, we continue to expand our vision of what glass can do. In fact, we believe we've entered "the Glass Age."

To learn more about how glass is inspiring a new generation of artists, designers, and engineers, visit TheGlassAge.com.

- We expect to make significant progress on several initiatives in our new product portfolio. We have identified more than 200 different uses for Corning® Willow® Glass and are currently prototyping the most promising ones, which range from laminates for architectural applications to roll-to-roll components for enhancing display devices. We are also pursuing a very exciting opportunity in Life Sciences. Although it is too early to discuss publicly, we believe it has the opportunity to be a significant new business for Corning, while continuing our track record of life-enhancing technologies.
- Finally, we will continue working with other innovators to bring our vision for *A Day Made of Glass* to life. We're proud of the progress we've made in a few short years, and know that we have only scratched the surface. As Corning extends the capabilities of glass, more and more customers from a broad range of industries are turning to us to solve tough problems, and we are excited about the opportunity to apply our skills to tackle new challenges.

Closing Thoughts

I'll close by reminding you of the kind of company you are investing in when you put your faith in Corning.

This is a company that is built to last. This is a company that continually produces innovations that enhance people's lives and transform industries. This is a company that rewards its shareholders with stability, a reliable dividend, and the opportunity for explosive growth from successful new products. But most importantly, this is a company that makes a real difference in the world.

I said earlier that all of us at Corning are united in our desire to preserve this great institution. That's because we take pride in being part of something that will outlast us — a company that invents and manufactures things that matter.

We understand that, ultimately, your investment is based on Corning's performance, and we are committed to earning your confidence with our continued growth. But we also hope you share our pride in being part of this very special company.

Thank you for being on this journey with us.

Sincerely,

Wendell P. Weeks
Chairman of the Board, Chief Executive Officer, and President

Financial Highlights:

In millions, except per share amounts

	2014	2013	2012	2011	2010
Net Sales	**$ 9,715**	$ 7,819	$ 8,012	$ 7,890	$ 6,632
Net income attributable to Corning Incorporated	**2,472**	1,961	1,636	2,817	3,574
Diluted earnings per common share attributable to Corning Incorporated	**$ 1.73**	$ 1.34	$ 1.09	$ 1.78	$ 2.26

Corning Incorporated 2014 Annual Report

Index

This page intentionally left blank.

Corning Incorporated and its consolidated subsidiaries are hereinafter sometimes referred to as the "Company," the "Registrant," "Corning," or "we."

This report contains forward-looking statements that involve a number of risks and uncertainties. These statements relate to our future plans, objectives, expectations and estimates and may contain words such as "believes," "expects," "anticipates," "estimates," "forecasts," or similar expressions. Our actual results could differ materially from what is expressed or forecasted in our forward-looking statements. Some of the factors that could contribute to these differences include those discussed under "Forward-Looking Statements," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this report.

Business Description

General

Corning traces its origins to a glass business established in 1851. The present corporation was incorporated in the State of New York in December 1936. The Company's name was changed from Corning Glass Works to Corning Incorporated on April 28, 1989.

Corning Incorporated is a world leader in the manufacture of specialty glass and ceramics. Drawing on more than 160 years of materials science and process engineering knowledge, Corning creates and makes keystone components that enable high-technology systems for consumer electronics, mobile emissions control, optical communications and life sciences. Corning operates in five reportable segments: Display Technologies, Optical Communications, Environmental Technologies, Specialty Materials and Life Sciences. Corning manufactures and processes products at approximately 90 plants in 17 countries.

Display Technologies Segment

Corning's Display Technologies segment manufactures glass substrates for active matrix liquid crystal displays ("LCDs") that are used primarily in LCD televisions, notebook computers and flat panel desktop monitors. This segment develops, manufactures and supplies high quality glass substrates using technology expertise and a proprietary fusion manufacturing process, which Corning invented and is the cornerstone of the Company's technology leadership in the LCD industry. The automated process yields high quality glass substrates with excellent dimensional stability and uniformity – essential attributes for the production of large, high performance active matrix LCDs. Corning's fusion process is scalable and is thought to be the most effective process in producing large size substrates. We are recognized for providing product innovations that help our customers produce larger, lighter, thinner and higher-resolution displays more affordably. In 2006, Corning launched EAGLE XG®, the industry's first LCD glass substrate that is free of heavy metals. In 2010, leveraging the EAGLE XG® composition, Corning introduced EAGLE XG® Slim glass, a line of slim glass substrates which enables lighter-weight portable devices and thinner televisions and monitors. In 2011, Corning launched Corning Lotus™ Glass, a high-performance display glass developed to enable cutting-edge technologies, including organic light-emitting diode ("OLED") displays and next generation LCDs. Corning Lotus Glass helps support the demanding manufacturing processes of both OLED and liquid crystal displays for high performance, portable devices such as smart phones, tablets, and notebook computers. In 2012, Corning introduced Corning® Willow™ Glass, our ultra-slim flexible glass for use in next-generation consumer electronic technologies. Not only does this technology support thinner backplanes for both OLED and LCD displays, it also allows for curved displays for immersive viewing or mounting on non-flat surfaces. In 2013, Corning announced the commercial launch of Corning Lotus™ XT Glass, a second-generation glass substrate specially formulated for high-performance displays. The Corning Lotus Glass platform offers an energy-efficient, immersive display device that features high resolution, fast response times, and bright picture quality. In January 2015, Corning introduced Corning Iris™ Glass, a substrate that can significantly reduce the thickness of a liquid crystal display television set, making it as thin as a smartphone, as well as providing outstanding transmission quality.

Through the end of 2013, the Display Technologies segment also included the equity affiliate Samsung Corning Precision Materials Co., Ltd. ("Samsung Corning Precision Materials"), of which Corning owned 57.5% and Samsung Display Co., Ltd. ("Samsung Display") owned 42.5%. To extend Corning's leadership in specialty glass and drive earnings growth, Corning entered into a series of strategic and financial agreements with Samsung Display intended to strengthen product and technology collaborations between the two companies ("Acquisition"). Corning completed this transaction on January 15, 2014.

The following is a summary of the series of transactions, and the impacts to the Display Technologies segment:

- Corning obtained full ownership of Samsung Corning Precision Materials. This organization, named Corning Precision Materials, was integrated into Corning's Display Technologies segment during 2014.
- Corning and Samsung Display extended their long-term LCD display glass supply agreement through 2023.
- The two companies' strengthened their technology collaborations on strategic product development and commercialization initiatives.

In connection with these agreements, in the fourth quarter of 2013, Corning acquired the minority interests of three shareholders in Samsung Corning Precision Materials for $506 million, which included payment for the transfer of non-operating assets and the pro-rata portion of cash on Samsung Corning Precision Materials' balance sheet at September 30, 2013. The resulting transfer of shares to Corning increased Corning's ownership percentage of Samsung Corning Precision Materials from 50% to 57.5%. Because this transaction did not result in a change in control based on the governing documents of this entity, Corning did not consolidate this entity as of December 31, 2013. The remaining transactions were completed on January 15, 2014, which increased Corning's ownership to 100% and resulted in consolidation of the entity beginning in the first quarter of 2014.

LCD glass manufacturing is a capital intensive business. Important attributes for success include efficient manufacturing, access to capital, technology know-how, and patents. As a result of the transactions with Samsung Display, Corning expects to realize increased flexibility in glass-melting capabilities, which will allow the company to re-evaluate the need for major capital expenditures for additional fusion glass manufacturing assets.

Corning has LCD glass manufacturing operations in the United States, South Korea, Japan, Taiwan and China. Following the Acquisition, Corning services all specialty glass customers in all regions directly, utilizing its manufacturing facilities throughout Asia.

Patent protection and proprietary trade secrets are important to the Display Technologies segment's operations. Corning has a growing portfolio of patents relating to its products, technologies and manufacturing processes. Corning licenses certain of its patents to third parties and generates royalty income from these licenses. Refer to the material under the heading "Patents and Trademarks" for information relating to patents and trademarks.

The Display Technologies segment represented 40% of Corning's sales in 2014.

Optical Communications Segment

Corning invented the world's first low-loss optical fiber in 1970. Since that milestone, we have continued to pioneer optical fiber, cable and connectivity solutions. As global bandwidth demand driven by video usage grows exponentially, networks continue to migrate from copper to optical-based systems that can deliver the required cost-effective bandwidth-carrying capacity. Our unrivaled experience puts us in a unique position to design and deliver optical solutions that reach every edge of the communications network.

Our Optical Communications segment has recently evolved from being a manufacturer of optical fiber and cable, hardware and equipment to being a comprehensive provider of industry-leading optical solutions across the broader communications industry. This segment is classified into two main product groupings – carrier network and enterprise network. The carrier network product group consists primarily of products and solutions for optical-based communications infrastructure for services such as video, data and voice communications. The enterprise network product group consists primarily of optical-based communication networks sold to businesses, governments and individuals for their own use.

Our carrier network product portfolio begins with optical fiber products, including Vascade® submarine optical fibers for use in submarine networks; LEAF® optical fiber for long-haul, regional and metropolitan networks; SMF-28® ULL fiber for more scalable long-haul and regional networks; SMF-28e+™ single-mode optical fiber that provides additional transmission wavelengths in metropolitan and access networks; ClearCurve® ultra-bendable single-mode fiber for use in multiple-dwelling units and fiber-to-the-home applications; and Corning® SMF-28® Ultra Fiber, designed for high performance across the range of long-haul, metro, access, and fiber-to-the-home network applications, combining the benefits of industry-leading attenuation and improved macrobend performance in one fiber. Our optical fiber is sold directly to end users or third-party cablers around the world. Corning's remaining fiber production is cabled internally and sold to end users as either bulk cable or as part of an integrated optical solution. Corning's cable products support various outdoor, indoor/outdoor and indoor applications and include a broad range of loose tube, ribbon and drop cable designs with flame-retardant versions available for indoor and indoor/outdoor use.

In addition to optical fiber and cable, our carrier network product portfolio also includes hardware and equipment products, including cable assemblies, fiber optic hardware, fiber optic connectors, optical components and couplers, closures, network interface devices, and other accessories. These products may be sold as individual components or as part of integrated optical connectivity solutions designed for various carrier network applications. Examples of these solutions include our FlexNAP™ terminal distribution system, which provides pre-connectorized distribution and drop cable assemblies for cost-effectively deploying Fiber-to-the-Home ("FTTH") networks; and the Centrix™ platform, which provides a high-density fiber management system with industry-leading density and innovative jumper routing that can be deployed in a wide variety of carrier switching centers.

To keep pace with surging demand for mobile bandwidth, Corning has a full complement of operator-grade distributed antenna systems ("DAS"), including the recently developed Optical Network Evolution ("ONE") wireless platform. ONE is the first all-optical converged cellular and Wi-Fi® solution built on an all-optical backbone with modular service support. The ONE™ Wireless Platform provides virtually unlimited bandwidth, and meets all of the wireless service needs of large-scale enterprises at a lower cost than the typical DAS solution.

In addition to our optical-based portfolio, Corning's carrier network portfolio also contains select copper-based products including subscriber demarcation, connection and protection devices, xDSL (different variations of digital subscriber lines) passive solutions and outside plant enclosures. In addition, Corning offers coaxial RF interconnects for the cable television industry as well as for microwave applications for GPS, radars, satellites, manned and unmanned military vehicles, and wireless and telecommunications systems.

Our enterprise network product portfolio also includes optical fiber products, including ClearCurve® ultra-bendable multimode fiber for data centers and other enterprise network applications; InfiniCor® fibers for local area networks; and more recently ClearCurve® VSDN® ultra-bendable optical fiber designed to support emerging high-speed interconnects between computers and other consumer electronics devices. The remainder of Corning's fiber production is cabled internally and sold to end users as either bulk cable or as part of an integrated optical solution. Corning's cable products include a broad range of tight-buffered, loose tube and ribbon cable designs with flame-retardant versions available for indoor and indoor/outdoor applications that meet local building code requirements.

Corning's hardware and equipment products for enterprise network applications include cable assemblies, fiber optic hardware, fiber optic connectors, optical components and couplers, closures and other accessories. These products may be sold as individual components or as part of integrated optical connectivity solutions designed for various network applications. Examples of enterprise network solutions include the Pretium EDGE® platform, which provides high-density pre-connectorized solutions for data center applications, and continues to evolve with recent updates for upgrading to 40/100G applications and port tap modules for network monitoring; the previously mentioned ONE Wireless platform, which spans both carrier and enterprise network applications; and our recently introduced optical connectivity solutions to support customer initiatives.

In 2014, we introduced Corning® Fibrance™ Light-Diffusing Fiber, a glass optical fiber optimized for thin, colorful, aesthetic lighting. Fibrance Light-Diffusing Fiber enables decorative lighting to be designed or embedded into tight or small places where other bulky lighting elements cannot fit, thereby enhancing a product's overall aesthetics and user experience, and opening up new design possibilities for a variety of markets such as automotive, architecture, consumer electronics or appliances.

Corning operates manufacturing facilities worldwide. Our optical fiber manufacturing facilities are located in North Carolina, China and India. Cabling operations include facilities in North Carolina, Germany, Poland, China and smaller regional locations and equity affiliates. Our manufacturing operations for hardware and equipment products are located in North Carolina, Texas, Arizona, Mexico, Brazil, Denmark, Germany, Poland, Israel, Australia and China.

Patent protection is important to the segment's operations. The segment has an extensive portfolio of patents relating to its products, technologies and manufacturing processes. The segment licenses certain of its patents to third parties and generates revenue from these licenses, although the royalty income is not currently material to this segment's operating results. Corning is licensed to use certain patents owned by others, which are considered important to the segment's operations. Refer to the material under the heading "Patents and Trademarks" for information relating to the Company's patents and trademarks.

The Optical Communications segment represented 27% of Corning's sales for 2014.

Environmental Technologies Segment

Corning's Environmental Technologies segment manufactures ceramic substrates and filter products for emissions control in mobile and stationary applications around the world. In the early 1970s, Corning developed an economical, high-performance cellular ceramic substrate that is now the standard for catalytic converters in vehicles worldwide. As global emissions control regulations tighten, Corning has continued to develop more effective and durable ceramic substrate and filter products for gasoline and diesel applications. Corning manufactures substrate and filter products in New York, Virginia, China, Germany and South Africa. Corning sells its ceramic substrate and filter products worldwide to catalyzers and manufacturers of emission control systems who then sell to automotive and diesel vehicle or engine manufacturers. Although most sales are made to the emission control systems manufacturers, the use of Corning substrates and filters is generally required by the specifications of the automotive and diesel vehicle or engine manufacturers.

Patent protection is important to the segment's operations. The segment has an extensive portfolio of patents relating to its products, technologies and manufacturing processes. Corning is licensed to use certain patents owned by others, which are also considered important to the segment's operations. Refer to the material under the heading "Patents and Trademarks" for information relating to the Company's patents and trademarks.

The Environmental Technologies segment represented 11% of Corning's sales for 2014.

Specialty Materials Segment

The Specialty Materials segment manufactures products that provide more than 150 material formulations for glass, glass ceramics and fluoride crystals to meet demand for unique customer needs. Consequently, this segment operates in a wide variety of commercial and industrial markets that include display optics and components, semiconductor optics components, aerospace and defense, astronomy, ophthalmic products, telecommunications components and cover glass that is optimized for portable display devices.

Our cover glass, known as Corning® Gorilla® Glass, is a thin sheet glass designed specifically to function as a cover glass for display devices such as tablets, notebook PCs and mobile phones. Elegant and lightweight, Corning Gorilla Glass is durable enough to resist many real-world events that commonly cause glass failure, enabling exciting new applications in technology and design. Early in 2012, Corning launched Corning® Gorilla® Glass 2, the next generation in our Corning Gorilla Glass suite of products. Corning Gorilla Glass 2 enables up to a 20% reduction in glass thickness, while maintaining the industry-leading damage resistance, toughness and scratch-resistance. In 2013, we introduced Corning® Gorilla® Glass 3 with Native Damage Resistance and Corning® Gorilla® Glass NBT™, designed to help protect touch notebook displays from scratches and other forms of damage that come from everyday handling and use. And in the fourth quarter of 2014, Corning announced its latest breakthrough innovation in consumer electronics material design, Corning® Gorilla® Glass 4, which delivers the highest damage resistance performance versus all alternative compositions, and has the capability to significantly improve device drop performance.

Corning Gorilla Glass is manufactured in Kentucky, South Korea, Japan and Taiwan.

Semiconductor optics manufactured by Corning includes high-performance optical material products, optical-based metrology instruments, and optical assemblies for applications in the global semiconductor industry. Corning's semiconductor optics products are manufactured in New York.

Other specialty glass products include glass lens and window components and assemblies and are made in New York, New Hampshire, Kentucky and France or sourced from China.

Patent protection is important to the segment's operations. The segment has a growing portfolio of patents relating to its products, technologies and manufacturing processes. Brand recognition and loyalty, through well-known trademarks, are important to the segment. Refer to the material under the heading "Patents and Trademarks" for information relating to the Company's patents and trademarks.

The Specialty Materials segment represented approximately 12% of Corning's sales for 2014.

Life Sciences Segment

As a leading developer, manufacturer and global supplier of scientific laboratory products for 100 years, Corning's Life Sciences segment collaborates with researchers seeking new approaches to increase efficiencies, reduce costs and compress timelines in the drug discovery process. Using unique expertise in the fields of materials science, surface science, optics, biochemistry and biology, the segment provides innovative solutions that improve productivity and enable breakthrough discoveries.

Life Sciences laboratory products include general labware and equipment, as well as specialty surfaces, media and reagents that are used for cell culture research, bioprocessing, genomics, drug discovery, microbiology and chemistry. Corning sells life science products under these primary brands: Corning, Falcon, PYREX, Axygen, and Gosselin. The products are marketed worldwide, primarily through distributors to pharmaceutical and biotechnology companies, academic institutions, hospitals, government entities, and other research facilities. Corning manufactures these products in the United States in Maine, New York, New Jersey, California, Utah, Virginia, Massachusetts and North Carolina, and outside of the U.S. in Mexico, France, Poland, and China.

In addition to being a global leader in consumable glass and plastic laboratory tools for life science research, Corning continues to develop and produce unique technologies aimed at simplifying customer lab processes, or "workflows", through three key categories:

- Vessels – Corning® HYPER platform of vessels for increased cell yields; Corning® Microcarriers for cell scale-up, therapy and vaccine applications;
- Surfaces – Corning® CellBIND® Surface; Corning®Matrigel®; Corning®BioCoat™; Corning Synthemax® II Surface;
- Media – Corning® stemgro®

Patent protection is important to the segment's operations. The segment has a growing portfolio of patents relating to its products, technologies and manufacturing processes. Brand recognition and loyalty, through well-known trademarks, are important to the segment. Refer to the material under the heading "Patents and Trademarks" for information relating to the Company's patents and trademarks.

The Life Sciences segment represented approximately 9% of Corning's sales for 2014.

All Other

All other segments that do not meet the quantitative threshold for separate reporting have been grouped as "All Other." This group is primarily comprised of the results of Corning Precision Materials' non-LCD business and new product lines and development projects such as advanced flow reactors and adjacency businesses in pursuit of thin, strong glass. This segment also includes certain corporate investments such as Eurokera and Keraglass equity affiliates, which manufacture smooth cooktop glass/ceramic products.

The All Other segment represented less than 1% of Corning's sales for 2014.

Additional explanation regarding Corning and its five reportable segments is presented in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 20 (Reportable Segments) to the Consolidated Financial Statements.

Corporate Investments

Corning and The Dow Chemical Company ("Dow Chemical") each own half of Dow Corning Corporation ("Dow Corning"), an equity company headquartered in Michigan that manufactures silicone products worldwide. Dow Corning is a leader in silicon-based technology and innovation, offering more than 7,000 products and services. Dow Corning is the majority-owner of Hemlock Semiconductor Group ("Hemlock"), a market leader in the production of high purity polycrystalline silicon for the semiconductor and solar energy industries. Dow Corning's sales were $6,221 million in 2014. Additional discussion about Dow Corning appears in the Legal Proceedings section. Dow Corning's financial statements are attached in Item 15, Exhibits and Financial Statement Schedules.

Corning and PPG Industries, Inc. each own half of Pittsburgh Corning Corporation ("PCC"), an equity company in Pennsylvania that manufactures glass products for architectural and industrial uses. PCC filed for Chapter 11 bankruptcy reorganization in April 2000. Corning also owns half of Pittsburgh Corning Europe N.V. ("PCE"), a Belgian corporation that manufactures glass products for industrial uses primarily in Europe. Additional discussion about PCC and PCE appears in the Legal Proceedings section.

Additional information about corporate investments is presented in Note 7 (Investments) to the Consolidated Financial Statements.

Competition

Corning competes across all of its product lines with many large and varied manufacturers, both domestic and foreign. Some of these competitors are larger than Corning, and some have broader product lines. Corning strives to sustain and improve its market position through technology and product innovation. For the future, Corning believes its competitive advantage lies in its commitment to research and development, and its commitment to quality. There is no assurance that Corning will be able to maintain or improve its market position or competitive advantage.

Display Technologies Segment

We believe Corning is the largest worldwide producer of glass substrates for active matrix LCD displays. The environment for LCD glass substrate products is very competitive and Corning believes it has sustained its competitive advantages by investing in new products, providing a consistent and reliable supply, and using its proprietary fusion manufacturing process. This process allows us to deliver glass that is larger, thinner and lighter, with exceptional surface quality and without heavy metals. Asahi Glass Co. Ltd. and Nippon Electric Glass Co. Ltd. are Corning's principal competitors in display glass substrates.

Optical Communications Segment

Competition within the communications equipment industry is intense among several significant companies. Corning is a leading competitor in the segment's principal product groups, which include carrier network and enterprise network. The competitive landscape includes industry consolidation, price pressure and competition for the innovation of new products. These competitive conditions are likely to persist. Corning believes its large scale manufacturing experience, fiber process, technology leadership and intellectual property yield cost advantages relative to several of its competitors.

The primary competing producers of the Optical Communications segment are TE Connectivity Ltd. and Prysmian Group.

Environmental Technologies Segment

For worldwide automotive ceramic substrate products, Corning has a major market position that has remained relatively stable over the past year. Corning has also established a strong presence in the heavy duty and light duty diesel vehicle market and believes its competitive advantage in automotive ceramic substrate products for catalytic converters and diesel filter products for exhaust systems is based upon global presence, customer service, engineering design services and product innovation. Corning's Environmental Technologies products face principal competition from NGK Insulators, Ltd. and Ibiden Co. Ltd.

Specialty Materials Segment

Corning is one of very few manufacturers with deep capabilities in materials science, optical design, shaping, coating, finishing, metrology, and system assembly. Additionally, we are addressing emerging needs of the consumer electronics industry with the development of chemically strengthened glass. Corning Gorilla Glass is a thin-sheet glass that is better able to survive events that most commonly cause glass failure. Its advanced composition allows a deeper layer of chemical strengthening than is possible with most other chemically strengthened glasses, making it both durable and damage resistant. Our products and capabilities in this segment position the Company to meet the needs of a broad array of markets including display, semiconductor, aerospace/defense, astronomy, vision care, industrial/commercial, and telecommunications. For this segment, Schott, Asahi Glass Co. Ltd., Nippon Electric Glass Co. Ltd. and Heraeus are the main competitors.

Life Sciences Segment

Corning seeks to maintain a competitive advantage by emphasizing product quality, product availability, supply chain efficiency, a wide product line and superior product attributes. Our principle worldwide competitors include Thermo Fisher Scientific, Inc. and Perkin Elmer. Corning also faces increasing competition from large distributors that have pursued backward integration or introduced private label products.

Raw Materials

Corning's production of specialty glasses, ceramics, and related materials requires significant quantities of energy, uninterrupted power sources, certain precious metals, and various batch materials.

Although energy shortages have not been a problem recently, the cost of energy remains volatile. Corning has achieved flexibility through engineering changes to take advantage of low-cost energy sources in most significant processes. Specifically, many of Corning's principal manufacturing processes can be operated with natural gas, propane, oil or electricity, or a combination of these energy sources.

Availability of resources (ores, minerals, polymers, helium and processed chemicals) required in manufacturing operations, appears to be adequate. Corning's suppliers, from time to time, may experience capacity limitations in their own operations, or may eliminate certain product lines. Corning believes it has adequate programs to ensure a reliable supply of batch materials and precious metals. For many products, Corning has alternate glass compositions that would allow operations to continue without interruption in the event of specific materials shortages.

Certain key materials and proprietary equipment used in the manufacturing of products are currently sole-sourced or available only from a limited number of suppliers. Any future difficulty in obtaining sufficient and timely delivery of components could result in lost sales due to delays or reductions in product shipments, or reductions in Corning's gross margins.

Patents and Trademarks

Inventions by members of Corning's research and engineering staff have been, and continue to be, important to the Company's growth. Patents have been granted on many of these inventions in the United States and other countries. Some of these patents have been licensed to other manufacturers, including companies in which Corning has equity investments. Many of our earlier patents have now expired, but Corning continues to seek and obtain patents protecting its innovations. In 2014, Corning was granted about 400 patents in the U.S. and over 750 patents in countries outside the U.S.

Each business segment possesses a patent portfolio that provides certain competitive advantages in protecting Corning's innovations. Corning has historically enforced, and will continue to enforce, its intellectual property rights. At the end of 2014, Corning and its wholly-owned subsidiaries owned over 8,000 unexpired patents in various countries of which over 3,300 were U.S. patents. Between 2015 and 2016, approximately 7% of these patents will expire, while at the same time Corning intends to seek patents protecting its newer innovations. Worldwide, Corning has about 7,000 patent applications in process, with about 2,200 in process in the U.S. Corning believes that its patent portfolio will continue to provide a competitive advantage in protecting Corning's innovation, although Corning's competitors in each of its businesses are actively seeking patent protection as well.

The Display Technologies segment has over 1,200 patents in various countries, of which about 300 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include patents relating to glass compositions and methods for the use and manufacture of glass substrates for display applications. There is no group of important Display Technologies segment patents set to expire between 2015 and 2017.

The Optical Communications segment has over 3,100 patents in various countries, of which over 1,200 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include: (i) patents relating to optical fiber products including low loss optical fiber, high data rate optical fiber, and dispersion compensating fiber, and processes and equipment for manufacturing optical fiber, including methods for making optical fiber preforms and methods for drawing, cooling and winding optical fiber; (ii) patents relating to optical fiber ribbons and methods for making such ribbon, fiber optic cable designs and methods for installing optical fiber cable; (iii) patents relating to optical fiber connectors, termination and storage and associated methods of manufacture; and (iv) patents related to distributed communication systems. There is no group of important Optical Communications segment patents set to expire between 2015 and 2017.

The Environmental Technologies segment has over 600 patents in various countries, of which over 250 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include patents relating to cellular ceramic honeycomb products, together with ceramic batch and binder system compositions, honeycomb extrusion and firing processes, and honeycomb extrusion dies and equipment for the high-volume, low-cost manufacture of such products. There is no group of important Environmental Technologies segment patents set to expire between 2015 and 2017.

The Specialty Materials segment has over 700 patents in various countries, of which over 350 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include patents relating to protective cover glass, ophthalmic glasses and polarizing dyes, and semiconductor/microlithography optics and blanks, metrology instrumentation and laser/precision optics, glass polarizers, specialty fiber, and refractories. There is no group of important Specialty Materials segment patents set to expire between 2015 and 2017.

The Life Sciences segment has over 650 patents in various countries, of which about 250 are U.S. patents. No one patent is considered material to this business segment. Some of the important U.S.-issued patents in this segment include patents relating to methods and apparatus for the manufacture and use of scientific laboratory equipment including multiwell plates and cell culture products, as well as equipment and processes for label independent drug discovery. There is no group of important Life Sciences segment patents set to expire between 2015 and 2017.

Products reported in All Other include development projects, new product lines, and other businesses or investments that do not meet the threshold for separate reporting.

Many of the Company's patents are used in operations or are licensed for use by others, and Corning is licensed to use patents owned by others. Corning has entered into cross-licensing arrangements with some major competitors, but the scope of such licenses has been limited to specific product areas or technologies.

Corning's principal trademarks include the following: Axygen, Corning, Celcor, ClearCurve, DuraTrap, Eagle XG, Epic, Evolant, Gosselin, Gorilla, HPFS, Lanscape, Pretium, Pyrex, Steuben, Falcon, SMF-28e, and Willow.

Protection of the Environment

Corning has a program to ensure that its facilities are in compliance with state, federal and foreign pollution-control regulations. This program has resulted in capital and operating expenditures each year. In order to maintain compliance with such regulations, capital expenditures for pollution control in continuing operations were approximately $10 million in 2014 and are estimated to be $13 million in 2015.

Corning's 2014 consolidated operating results were charged with approximately $49 million for depreciation, maintenance, waste disposal and other operating expenses associated with pollution control. Corning believes that its compliance program will not place it at a competitive disadvantage.

Employees

At December 31, 2014, Corning had approximately 34,600 full-time employees, including approximately 11,500 employees in the United States. From time to time, Corning also retains consultants, independent contractors, temporary and part-time workers. Unions are certified as bargaining agents for approximately 24.1% of Corning's U.S. employees.

Executive Officers

James P. Clappin *President, Corning Glass Technologies*

Mr. Clappin joined Corning in 1980 as a process engineer. He transitioned to GTE Corporation in 1983 when the Central Falls facility was sold and returned to Corning in 1988. He began working in the display business in 1994. Mr. Clappin relocated to Japan in 1996, as plant manager at Corning Display Technologies (CDT) Shizuoka facility. In 2002, he was appointed as general manager of CDT worldwide business. He served as president of CDT from September 2005 through July 2010. He was appointed president, Corning Glass Technologies, in 2010. Age 57.

Jeffrey W. Evenson *Senior Vice President and Operations Chief of Staff*

Dr. Evenson joined Corning in June 2011 and was elected to his current position at that time. He serves on the Management Committee and oversees a variety of strategic programs and growth initiatives. Prior to joining Corning, Dr. Evenson was a senior vice president with Sanford C. Bernstein, where he served as a senior analyst since 2004. Before that, Dr. Evenson was a partner at McKinsey & Company, where he led technology and market assessment for early-stage technologies. Age 49.

James B. Flaws *Vice Chairman and Chief Financial Officer*

Mr. Flaws joined Corning in 1973 and served in a variety of controller and business management positions. Mr. Flaws was elected assistant treasurer of Corning in 1993, vice president and controller in 1997, vice president of finance and treasurer in May 1997, senior vice president and chief financial officer in December 1997, executive vice president and chief financial officer in 1999 and to his current position in 2002. Mr. Flaws is a director of Dow Corning Corporation. Mr. Flaws has been a member of Corning's Board of Directors since 2000. Age 66.

Kirk P. Gregg *Executive Vice President and Chief Administrative Officer*

Mr. Gregg joined Corning in 1993 as director of Executive Compensation. He was named vice president of Executive Resources and Employee Benefits in 1994, senior vice president, Administration in December 1997 and to his current position in 2002. He is responsible for Human Resources, Information Technology, Procurement and Transportation, Aviation, Community Affairs, Government Affairs, Business Services and Corporate Security. Prior to joining Corning, Mr. Gregg was with General Dynamics Corporation as corporate director, Key Management Programs, and was responsible for executive compensation and benefits, executive development and recruiting. Age 55.

Clark S. Kinlin *Executive Vice President, Corning Optical Communications*

Mr. Kinlin joined Corning in 1981 in the Specialty Materials division. From 1985 to 1995 he worked in the Optical Fiber division. In 1995, he joined Corning Consumer Products (CCP). In 2000, Mr. Kinlin was named president, Corning International Corporation and, in 2003, he was appointed as general manager for Greater China. From April 2007 to March 2008, he was chief operating officer, Corning Cable Systems (now Corning Optical Communications) and was named president and chief executive officer in 2008. He was appointed executive vice president in 2012. Age 55.

Lawrence D. McRae *Executive Vice President, Strategy and Corporate Development*

Mr. McRae joined Corning in 1985 and served in various financial, sales and marketing positions. He was elected vice president Corporate Development in 2000, senior vice president Corporate Development in 2003, and senior vice president Strategy and Corporate Development in October 2005. He was elected to his present position in October 2010. Mr. McRae is on the board of directors of Dow Corning Corporation. Age 56.

David L. Morse *Executive Vice President and Chief Technology Officer*

Dr. Morse joined Corning in 1976 in glass research and worked as a composition scientist in developing and patenting several major products. He served in a variety of product and materials research and technology director roles and was appointed division vice president and technology director for photonic technology groups beginning in March 1999. He became director of corporate research, science and technology in December 2001. He was elected vice president in January 2003, becoming senior vice president and director of corporate research in 2006. Dr. Morse was elected to his current position in May 2012. He is on the board of Dow Corning Corporation and a member of the National Academy of Engineering and the National Chemistry Board. Age 62.

Eric S. Musser *Executive Vice President, Corning Technologies and International*

Mr. Musser joined Corning in 1986 and served in a variety of manufacturing positions at fiber plants in Wilmington, N.C. and Melbourne, Australia, before becoming manufacturing strategist for the Optical Fiber business in 1996. Mr. Musser joined Corning Lasertron in 2000 and became president later that year. He was named director, manufacturing operations for Photonic Technologies in 2002. In 2003, he returned to Optical Fiber as division vice president, development and engineering and was named vice president and general manager in 2005. In 2007, he was appointed general manager of Corning Greater China and was named president of Corning International in 2012. Mr. Musser was appointed executive vice president in 2014. Age 55.

Christine M. Pambianchi *Senior Vice President, Human Resources*

Ms. Pambianchi joined Corning in 2000 as division human resource manager, Corning Optical Fiber, and later was named director, Human Resources, Corning Optical Communications. She has led the Human Resources function since January 2008 when she was named vice president, Human Resources. Ms. Pambianchi was appointed to senior vice president, Human Resources, in 2010, and is responsible for leading Corning's global human resource function. Age 46.

Lewis A. Steverson *Senior Vice President and General Counsel*

Mr. Steverson joined Corning in June 2013 as Senior Vice President and General Counsel. Prior to joining Corning, Mr. Steverson served as senior vice president, general counsel, and secretary of Motorola Solutions, Inc. During his 18 years with Motorola, he held a variety of legal leadership roles across the company's numerous business units. Prior to Motorola, Mr. Steverson was in private practice at the law firm of Arnold & Porter. Age 51.

R. Tony Tripeny *Senior Vice President, Corporate Controller and Principal Accounting Officer*

Mr. Tripeny joined Corning in 1985 as the corporate accounting manager of Corning Cable Systems, and became the Keller, Texas facility's plant controller in 1989. In 1993, he was appointed equipment division controller of Corning Cable Systems and, in 1996 corporate controller. Mr. Tripeny was appointed chief financial officer of Corning Cable Systems in July 2000. In 2003, he took on the additional role of Telecommunications group controller. He was appointed division vice president, operations controller in August 2004, and vice president, corporate controller in October 2005. Mr. Tripeny was elected to his current position in April 2009. He is on the board of directors of Hardinge Inc. Age 55.

Wendell P. Weeks *Chairman, Chief Executive Officer and President*

Mr. Weeks joined Corning in 1983. He was named vice president and general manager of the Optical Fiber business in 1996, senior vice president in 1997, senior vice president of Opto-Electronics in 1998, executive vice president in 1999, and president, Corning Optical Communications in 2001. Mr. Weeks was named president and chief operating officer of Corning in 2002, president and chief executive officer in 2005 and chairman and chief executive officer on April 26, 2007. He added the title of president in December 2010. Mr. Weeks is a director of Merck & Co. Inc. Mr. Weeks has been a member of Corning's Board of Directors since 2000. Age 55.

Document Availability

A copy of Corning's 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available upon written request to Corporate Secretary, Corning Incorporated, Corning, NY 14831. The Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934 and other filings are available as soon as reasonably practicable after such material is electronically filed or furnished to the SEC, and can be accessed electronically free of charge, through the Investor Relations page on Corning's web site at *www.corning.com.* The information contained on the Company's website is not included in, or incorporated by reference into, this Annual Report on Form 10-K.

Risk Factors

We operate in rapidly changing economic and technological environments that present numerous risks, many of which are driven by factors that we cannot control or predict. Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock or debt. The following discussion of "risk factors" identifies the most significant factors that may adversely affect our business, operations, financial position or future financial performance. This information should be read in conjunction with MD&A and the consolidated financial statements and related notes incorporated by reference into this report. The following discussion of risks is not all inclusive but is designed to highlight what we believe are important factors to consider, as these factors could cause our future results to differ from those in the forward-looking statements and from historical trends.

As a global company, we face many risks which could adversely impact our ongoing operations and reported financial results

We operate in over 100 countries and derive a substantial portion of our revenues from, and have significant operations, outside of the United States. Our international operations include manufacturing, assembly, sales, customer support, and shared administrative service centers.

Compliance with laws and regulations increases our cost of doing business. These laws and regulations include U.S. laws and local laws which include data privacy requirements, employment and labor laws, tax laws, anti-competition regulations, prohibitions on payments to governmental officials, import and trade restrictions and export requirements. Non-compliance or violations could result in fines, criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. Such violations could result in prohibitions on our ability to offer our products and services in one or more countries and could also materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Our success depends, in part, on our ability to anticipate and manage these risks.

We are also subject to a variety of other risks in managing a global organization, including those related to:

- General economic conditions in each country or region;
- Many complex regulatory requirements affecting international trade and investment, including anti-dumping laws, export controls, the Foreign Corrupt Practices Act and local laws prohibiting improper payments. Our operations may be adversely affected by changes in the substance or enforcement of these regulatory requirements, and by actual or alleged violations of them;
- Fluctuations in currency exchange rates, convertibility of currencies and restrictions involving the movement of funds between jurisdictions and countries;
- Sovereign and political risks that may adversely affect Corning's profitability and assets;
- Geographical concentration of our factories and operations and regional shifts in our customer base;
- Periodic health epidemic concerns;
- Political unrest, confiscation or expropriation of our assets by foreign governments, terrorism and the potential for other hostilities;
- Difficulty in protecting intellectual property, sensitive commercial and operations data, and information technology systems generally;
- Differing legal systems, including protection and treatment of intellectual property and patents;
- Complex or unclear tax regimes;
- Complex tariffs, trade duties and other trade barriers including anti-dumping duties;
- Difficulty in collecting obligations owed to us such as accounts receivable;
- Natural disasters such as floods, earthquakes, tsunamis and windstorms; and
- Potential power loss or disruption affecting manufacturing.

Our sales could be negatively impacted by the actions of one or more key customers, or the circumstances to which they are subject, leading to the substantial reduction in orders for our products

In 2014, Corning's ten largest customers accounted for 48% of our sales.

In addition, a relatively small number of customers accounted for a high percentage of net sales in our reportable segments. For 2014, three customers of the Display Technologies segment accounted for 61% of total segment net sales when combined. In the Optical Communications segment, one customer accounted for 11% of segment net sales. In the Environmental Technologies segment, three customers accounted for 88% of total segment sales in aggregate. In the Specialty Materials segment, three customers accounted for 51% of segment sales in 2014. In the Life Sciences segment, two customers accounted for 45% of segment sales in 2014. As a result of mergers and consolidations between customers, Corning's customer base could become more concentrated.

Our Optical Communications segment customers' purchases of our products are affected by their capital expansion plans, general market and economic uncertainty and regulatory changes, including broadband policy. Sales in the Optical Communications segment are expected to be impacted by the pace of fiber-to-the-premises deployments. Our sales will be dependent on planned targets for homes passed and connected. Changes in our customers' deployment plans could adversely affect future sales.

In the Environmental Technologies segment, sales of our ceramic substrate and filter products for automotive and diesel emissions tend to fluctuate with vehicle production. Changes in laws and regulations for air quality and emission controls may also influence future sales. Sales in our Environmental Technologies segment are mainly to three catalyzers and emission system control manufacturers. Our customers sell these systems to automobile and diesel engine original equipment manufacturers. Sales in this segment may be affected by adverse developments in the global vehicle or freight hauling industries or by such factors as higher fuel prices that may affect vehicle sales or downturns in freight traffic.

Certain sales in our Specialty Materials segment track worldwide economic cycles and our customers' responses to those cycles. In addition, any positive trends in prior years in the sales of strengthened glass may not continue. We may experience losses relating to our inability to supply contracted quantities of this glass and processes planned to produce new versions of this glass may not be successful.

Sales in our Life Sciences segment are concentrated with two large distributors who are also competitors, and the balance is to a variety of pharmaceutical and biotechnology companies, hospitals, universities, and other research facilities. In 2014, our two largest distributors accounted for 45% of Life Sciences' segment sales. Changes in our distribution arrangements in this segment may adversely affect this segment's financial results.

Our operations and financial performance could be negatively impacted, if the markets for our products do not develop and expand as we anticipate

The markets for our products are characterized by rapidly changing technologies, evolving industry or regulatory standards and new product introductions. Our success is dependent on the successful introduction of new products, or upgrades of current products, and our ability to compete with new technologies. The following factors related to our products and markets, if they do not continue as in the recent past, could have an adverse impact on our operations:

- our ability to introduce advantaged products such as glass substrates for liquid crystal displays, optical fiber and cable and hardware and equipment, and environmental substrate and filter products at competitive prices;
- our ability to manufacture glass substrates and strengthened glass, to satisfy our customers' technical requirements and our contractual obligations; and
- our ability to develop new products in response to government regulations and laws.

We face pricing pressures in each of our businesses that could adversely affect our financial performance

We face pricing pressure in each of our businesses as a result of intense competition, emerging technologies, or over-capacity. While we work consistently toward reducing our costs to offset pricing pressures, we may not be able to achieve proportionate reductions in costs or sustain our current rate of cost reduction. We anticipate pricing pressures will continue in the future in all our businesses.

Any of these items could cause our sales, profitability and cash flows to be significantly reduced.

We face risks due to foreign currency fluctuations

Because we have significant customers and operations outside the U.S., fluctuations in foreign currencies, especially the Japanese yen, New Taiwan dollar, Korean won, and Euro, will significantly impact our sales, profit and cash flows. Foreign exchange rates may make our products less competitive in countries where local currencies decline in value relative to the US dollar and Japanese yen. Sales in our Display Technologies segment, representing 40% of Corning's sales in 2014, are denominated in Japanese yen. Corning hedges significant translation, transaction and balance sheet currency exposures and uses a variety of derivative instruments to reduce the impact of foreign currency fluctuations associated with certain monetary assets and liabilities as well as operating results including our net profits.

A large portion of our sales, profit and cash flows are transacted in non-US dollar currencies and we expect that we will continue to realize gains or losses with respect to these exposures, net of gains or losses from our hedging programs. For example, we will experience foreign currency gains and losses in certain instances if it is not possible or cost effective to hedge our foreign currency exposures or should we elect not to hedge certain foreign currency exposures. Alternatively, we may experience gains or losses if the underlying exposure which we have hedged change (increases or decreases) and we are unable to reverse, unwind, or terminate the hedges concurrent with the change in the underlying notional exposure. The objective of our hedging activities is to mitigate the risk associated with foreign currency exposures. We are also exposed to potential losses in the event of non-performance by our counterparties to these derivative contracts. However, we minimize this risk by maintaining a diverse group of highly-rated major international financial institutions with which we have other financial relationships as our counterparties. We do not expect to record any losses as a result of such counterparty default. Neither we nor our counterparties are required to post collateral for these financial instruments. Our ultimate realized loss or gain with respect to currency fluctuations will generally depend on the size and type of cross-currency exposures that we enter into, the currency exchange rates associated with these exposures and changes in those rates, whether we have entered into foreign currency forward contracts to offset these exposures and other factors. All of these factors could materially impact our results of operations, anticipated future results, financial position and cash flows, the timing of which is variable and generally outside of our control.

If the financial condition of our customers declines, our credit risks could increase

Although we have a rigorous process to administer credit and believe our bad debt reserve is adequate, we have experienced, and in the future may experience, losses as a result of our inability to collect our accounts receivable. If our customers or our indirect customers fail to meet their payment obligations for our products, we could experience reduced cash flows and losses in excess of amounts reserved. Many customers of our Display Technologies and Specialty Materials segments are thinly capitalized and/or unprofitable. In our Optical Communications segment, certain large infrastructure projects are subject to governmental funding, which, if terminated, could adversely impact the financial strength of our customers. These factors may result in an inability to collect receivables or a possible loss in business.

The success of our business depends on our ability to develop and produce advantaged products that meet our customers' needs

Our business relies on continued global demand for our brands and products. To achieve business goals, we must develop and sell products that appeal to our customers, original equipment manufacturers and distributors. This is dependent on a number of factors, including our ability to manage and maintain key customer relationships, our ability to produce products that meet the quality, performance and price expectations of our customers. The manufacturing of our products involves complex and precise processes. In some cases, existing manufacturing may be insufficient to achieve the requirements of our customers. We will need to develop new manufacturing processes and techniques to maintain profitable operations. While we continue to fund projects to improve our manufacturing techniques and processes and lower our costs, we may not achieve satisfactory manufacturing costs that will fully enable us to meet our profitability targets.

In addition, our continued success in selling products that appeal to our customers is dependent on our ability to innovate, with respect to both products and operations, and on the availability and effectiveness of legal protection for our innovations. Failure to continue to deliver quality and competitive products to the marketplace, to adequately protect our intellectual property rights, to supply products that meet applicable regulatory requirements or to predict market demands for, or gain market acceptance of, our products, could have a negative impact on our business, results of operations and financial condition.

Our future financial performance depends on our ability to purchase a sufficient amount of materials, precious metals, parts, and manufacturing equipment to meet the demands of our customers

Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of materials, precious metals, parts and components from our suppliers. We may experience shortages that could adversely affect our operations. Although we work closely with our suppliers to avoid shortages, there can be no assurances that we will not encounter problems in the future. Furthermore, certain manufacturing equipment, raw materials or components are available only from a single source or limited sources. We may not be able to find alternate sources in a timely manner. A reduction, interruption or delay of supply, or a significant increase in the price for supplies, such as manufacturing equipment, precious metals, raw materials or energy, could have a material adverse effect on our businesses.

If our products, including materials purchased from our suppliers, experience performance issues, our business will suffer

Our business depends on the production of products of consistently high quality. Our products, components and materials purchased from our suppliers, are typically tested for quality. These testing procedures are limited to evaluating our products under likely and foreseeable failure scenarios. For various reasons, our products, including materials purchased from our suppliers, may fail to perform as a customer expected. In some cases, product redesigns or additional expense may be required to address such issues. A significant or systemic quality issue could result in customer relations problems, lost sales, reduced volumes, product recalls and financial damages and penalties.

We have incurred, and may in the future incur, goodwill and other intangible asset impairment charges

At December 31, 2014, Corning had goodwill and other intangible assets of $1,647 million. While we believe the estimates and judgments about future cash flows used in the goodwill impairment tests are reasonable, we cannot provide assurance that future impairment charges will not be required if the expected cash flow estimates as projected by management do not occur, especially if an economic recession occurs and continues for a lengthy period or becomes severe, or if acquisitions and investments made by the Company fail to achieve expected returns.

We operate in a highly competitive environment

We operate in a highly competitive environment, and our outlook depends on the company's share of industry sales based on our ability to compete with others in the marketplace. The Company competes on the basis of product attributes, customer service, quality and price. There can be no assurance that our products will be able to compete successfully with other companies' products. Our share of industry sales could be reduced due to aggressive pricing or product strategies pursued by competitors, unanticipated product or manufacturing difficulties, product performance failures, our failure to price our products competitively, our failure to produce our products at a competitive cost or unexpected, emerging technologies or products. We expect that we will face continuous competition from existing competitors, low cost manufacturers and new entrants. We believe we must invest in research and development, engineering, manufacturing and marketing capabilities, and continue to improve customer service in order to remain competitive. We cannot provide assurance that we will be able to maintain or improve our competitive position.

We may need to change our pricing models to compete successfully

We face intense competition in all of our businesses, particularly LCD glass, and general economic and business conditions can put pressure on us to change our prices. If our competitors offer significant discounts on certain products or develop products that the marketplace considers more valuable, we may need to lower prices or offer other favorable terms in order to retain our customers and market positions. Any such changes may reduce our profitability and cash flow. Any broad-based change to our prices and pricing policies could cause our revenues to decline or be delayed as we implement and our customers adjust to the new pricing policies. If we do not adapt our pricing models to reflect changes in customer use of our products or changes in customer demand, our revenues could decrease.

LCD glass generates a significant amount of the Company's profits and cash flow, and any events that adversely affect the market for LCD glass substrates could have a material and negative impact on our financial results

Corning's ability to generate profits and operating cash flow depends largely upon the level of profitability of our LCD glass business. As a result, any event that adversely affects our Display business could have a significant impact on our consolidated financial results. These events could include loss of patent protection, increased costs associated with manufacturing, and increased competition from the introduction of new, and more desirable products. If any of these events had a material adverse effect on the sales of our LCD glass, such an event could result in material charges and a significant reduction in profitability.

Additionally, emerging material technologies could replace our glass substrates for certain applications, including display glass, cover glass and others, resulting in a decline in demand for our products. Existing or new production capacity for glass substrates may exceed the demand for them. Technologies for displays, cover glass and other applications in competition with our glass may reduce or eliminate the need for our glass substrates. New process technologies developed by our competitors may also place us at a cost or quality disadvantage. Our own process technologies may be acquired or used unlawfully by others, enabling them to compete with us. Our inability to manufacture glass substrates to the specifications required by our customers may result in loss of revenue, margins and profits or liabilities for failure to supply. A scarcity of resources, limitations on technology, personnel or other factors resulting in a failure to produce commercial quantities of glass substrates could have adverse financial consequences to us.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations

Our effective tax rate could be adversely impacted by several factors, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax treaties and regulations or the interpretation of them;
- changes to our assessments about the realizability of our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic environments in which we do business;
- the outcome of current and future tax audits, examinations, or administrative appeals;
- changes in generally accepted accounting principles that affect the accounting for taxes; and
- limitations or adverse findings regarding our ability to do business in some jurisdictions.

We may have additional tax liabilities

We are subject to income taxes in the U.S. and many foreign jurisdictions and are commonly audited by various tax authorities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Significant judgment is required in determining our worldwide provision for income taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our financial statements in the period or periods for which that determination is made.

A significant amount of our net profits and cash flows are generated from outside the U.S., and certain repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates for the company. In addition, there have been proposals to change U.S. tax laws that could significantly impact how U.S. global corporations are taxed on foreign earnings. Although we cannot predict whether or in what form proposed legislation may pass, if enacted certain anti-deferral proposals could have a material adverse impact on our tax expense and cash flow.

Our business depends on our ability to attract and retain talented employees

The loss of the services of any member of our senior management team or key research and development or engineering personnel without adequate replacement, or the inability to attract new qualified personnel, could have a material adverse effect on our operations and financial performance.

We are subject to strict environmental regulations and regulatory changes that could result in fines or restrictions that interrupt our operations

Some of our manufacturing processes generate chemical waste, waste water, other industrial waste or greenhouse gases, and we are subject to numerous laws and regulations relating to the use, storage, discharge and disposal of such substances. We have installed anti-pollution equipment for the treatment of chemical waste and waste water at our facilities. We have taken steps to control the amount of greenhouse gases created by our manufacturing operations. However, we cannot provide assurance that environmental claims will not be brought against us or that government regulators will not take steps toward adopting more stringent environmental standards.

Any failure on our part to comply with any present or future environmental regulations could result in the assessment of damages or imposition of fines against us, or the suspension/cessation of production or operations. In addition, environmental regulations could require us to acquire costly equipment, incur other significant compliance expenses or limit or restrict production or operations and thus materially and negatively affect our financial condition and results of operations.

Changes in regulations and the regulatory environment in the U.S. and other countries, such as those resulting from the regulation and impact of global warming and CO2 abatement, may affect our businesses and their results in adverse ways by, among other things, substantially increasing manufacturing costs, limiting availability of scarce resources, especially energy, or requiring limitations on production and sale of our products or those of our customers.

We may experience difficulties in enforcing our intellectual property rights and we may be subject to claims of infringement of the intellectual property rights of others

We rely on patent and trade secret laws, copyright, trademark, confidentiality procedures, controls and contractual commitments to protect our intellectual property rights. Despite our efforts, these protections may be limited and we may encounter difficulties in protecting our intellectual property rights or obtaining rights to additional intellectual property necessary to permit us to continue or expand our businesses. We cannot provide assurance that the patents that we hold or may obtain will provide meaningful protection against our competitors. Changes in or enforcement of laws concerning intellectual property, worldwide, may affect our ability to prevent or address the misappropriation of, or the unauthorized use of, our intellectual property. Litigation may be necessary to enforce our intellectual property rights. Litigation is inherently uncertain and outcomes are often unpredictable. If we cannot protect our intellectual property rights against unauthorized copying or use, or other misappropriation, we may not remain competitive.

The intellectual property rights of others could inhibit our ability to introduce new products. Other companies hold patents on technologies used in our industries and are aggressively seeking to expand, enforce and license their patent portfolios. We periodically receive notices from, or have lawsuits filed against us by third parties claiming infringement, misappropriation or other misuse of their intellectual property rights and/or breach of our agreements with them. These third parties often include entities that do not have the capabilities to design, manufacture, or distribute products or that acquire intellectual property like patents for the sole purpose of monetizing their acquired intellectual property through asserting claims of infringement and misuse. Such claims of infringement or misappropriation may result in loss of revenue, substantial costs, or lead to monetary damages or injunctive relief against us.

Current or future litigation or regulatory investigations may harm our financial condition or results of operations

As described in Legal Proceedings in this Form 10-K, we are engaged in litigation and regulatory matters. Litigation and regulatory proceedings may be uncertain, and adverse rulings could occur, resulting in significant liabilities, penalties or damages. Such current or future substantial legal liabilities or regulatory actions could have a material adverse effect on our business, financial condition, cash flows and reputation.

We may not capture significant revenues from our current research and development efforts for several years, if at all

Developing our products through research and development is expensive and the investment often involves a long return on investment cycle. We have made and expect to continue to make significant investments in research and development and related product opportunities. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development that could adversely affect our operating results if not offset by increases in our gross margin. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position.

Business disruptions could affect our operating results

A significant portion of our manufacturing, research and development activities and certain other critical business operations are concentrated in a few geographic areas. A major earthquake, fire or other catastrophic event that results in the destruction or disruption of any of our critical facilities could severely affect our ability to conduct normal business operations and, as a result, our future financial results could be materially and adversely affected.

Additionally, a significant amount of the specialized manufacturing capacity for our Display Technologies segment is concentrated in three overseas countries and it is reasonably possible that the operations of one or more such facilities could be disrupted. Due to the specialized nature of the assets and the customers' locations, it may not be possible to find replacement capacity quickly or substitute production from facilities in other countries. Accordingly, loss of these facilities could produce a near-term severe impact on our Display business and the Company as a whole.

We face risks through equity affiliates that we do not control

Corning's net income includes equity earnings from affiliated companies. For the year ended December 31, 2014, we recognized $266 million of equity earnings, of which approximately 95% came from Dow Corning (which makes silicone and high purity polycrystalline products).

Our equity investments may not continue to perform at the same levels as in recent years. Dow Corning emerged from Chapter 11 bankruptcy in 2004 and has certain obligations under its Plan of Reorganization to resolve and fund claims of its creditors and personal injury claimants. Dow Corning may incur further bankruptcy charges in the future, which may adversely affect its operations or assets. Dow Corning also could be adversely impacted by diminished performance at their consolidated subsidiary, Hemlock Semiconductor Group. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to maintain effectiveness or comply with applicable standards may adversely affect us.

We may not have adequate insurance coverage for claims against us

We face the risk of loss resulting from product liability, asbestos, securities, fiduciary liability, intellectual property, antitrust, contractual, warranty, environmental, fraud and other lawsuits, whether or not such claims are valid. In addition, our product liability, fiduciary, directors and officers, property policies including business interruption, natural catastrophe and comprehensive general liability insurance may not be adequate to cover such claims or may not be available to the extent we expect in the future. A successful claim that exceeds or is not covered by our policies could require us to make substantial unplanned payments. Some of the carriers in our historical primary and excess insurance programs are in liquidation and may not be able to respond if we should have claims reaching their policies. The financial health of other insurers may deteriorate. Several of our insurance carriers are litigating with us the extent, if any, of their obligation to provide insurance coverage for asbestos liabilities asserted against us. The results of that litigation may adversely affect our insurance coverage for those risks. In addition, we may not be able to obtain adequate insurance coverage for certain types of risk such as political risks, terrorism or war.

Our global operations are subject to extensive trade and anti-corruption laws and regulations

Due to the international scope of our operations, we are subject to a complex system of import- and export-related laws and regulations, including U.S. regulations issued by Customs and Border Protection, the Bureau of Industry and Security, the Office of Antiboycott Compliance, the Directorate of Defense Trade Controls and the Office of Foreign Assets Control, as well as the counterparts of these agencies in other countries. Any alleged or actual violations may subject us to government scrutiny, investigation and civil and criminal penalties, and may limit our ability to import or export our products or to provide services outside the United States. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted.

In addition, the U.S. Foreign Corrupt Practices Act and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence foreign government officials for the purpose of obtaining or retaining business, or obtaining an unfair advantage. Recent years have seen a substantial increase in the global enforcement of anti-corruption laws. Our continued operation and expansion outside the United States, including in developing countries, could increase the risk of alleged violations. Violations of these laws may result in severe criminal or civil sanctions, could disrupt our business, and result in an adverse effect on our reputation, business and results of operations or financial condition.

Moreover, several of our related partners are domiciled in areas of the world with laws, rules and business practices that differ from those in the United States. Although we strive to select equity partners and affiliates who share our values and understand our reporting requirements as a U.S.-domiciled company and to ensure that an appropriate business culture exists within these ventures to minimize and mitigate our risk, we nonetheless face the reputational and legal risk that our equity partners and affiliates may violate applicable laws, rules and business practices.

Acquisitions, equity investments and strategic alliances may have an adverse effect on our business

We expect to continue making acquisitions and entering into equity investments and strategic alliances as part of our business strategy. These transactions involve significant challenges and risks including that a transaction may not advance our business strategy, that we do not realize a satisfactory return on our investment, or that we experience difficulty integrating new employees, business systems, and technology, or diversion of management's attention from our other businesses. It may take longer than expected to realize the full benefits, such as increased revenue and cash flow, enhanced efficiencies, or market share, or those benefits may ultimately be smaller than anticipated, or may not be realized. These events could harm our operating results or financial condition.

Improper disclosure of personal data could result in liability and harm our reputation

We store and process personally-identifiable information of our employees and, in some case, our customers. At the same time, the continued occurrence of high-profile data breaches provides evidence of the increasingly hostile information security environment. This environment demands that we continuously improve our design and coordination of security controls across our business groups and geographies. Despite these efforts, it is possible our security controls over personal data, our training of employees and vendors on data security, and other practices we follow may not prevent the improper disclosure of personally identifiable information. Improper disclosure of this information could harm our reputation or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

Significant macroeconomic events, changes in regulations, or a crisis in the financial markets could limit our access to capital

We utilize credit in both the capital markets and from banks to facilitate company borrowings, hedging transactions, leases and other financial transactions. We maintain a $2 billion revolving credit agreement to fund potential liquidity needs and to backstop certain transactions. An adverse macroeconomic event or changes in bank regulations could limit our ability to gain access to credit or to renew the revolving credit agreement upon expiration. Additionally, a financial markets crisis may limit our ability to access liquidity.

Adverse economic conditions may adversely affect our cash investments

We maintain an investment portfolio of various types of securities with varying maturities and credit quality. These investments are subject to general credit, liquidity, market, and interest rate risks, which may be exacerbated by unusual events that have affected global financial markets. We also make significant investments in U.S. government securities, either directly, or through investment in money market funds. If global credit and equity markets experience prolonged periods of decline, or if the U.S. defaults on its debt obligations or its debt is downgraded, our investment portfolio may be adversely impacted and we could determine that more of our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely impact our financial results.

Information technology dependency and security vulnerabilities could lead to reduced revenue, liability claims, or competitive harm

The Company is increasingly dependent on sophisticated information technology and infrastructure. Any significant breakdown, intrusion, interruption or corruption of these systems or data breaches could have a material adverse effect on our business. Like other global companies, we have, from time to time, experienced incidents related to our information technology ("IT") systems, and expect that such incidents will continue, including malware and computer virus attacks, unauthorized access, systems failures and disruptions. We have measures and defenses in place against unauthorized access, but we may not be able to prevent, immediately detect, or remediate such events.

We use electronic IT in our manufacturing processes and operations and other aspects of our business. Despite our implementation of security measures, our IT systems are vulnerable to disruptions from computer viruses, natural disasters, unauthorized access, cyber-attack and other similar disruptions. A material breach in the security of our IT systems could include the theft of our intellectual property or trade secrets. Such disruptions or security breaches could result in the theft, unauthorized use or publication of our intellectual property and/or confidential business information, harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives, or otherwise adversely affect our business.

Additionally, utilities and other operators of critical energy infrastructure that serve our facilities face heightened security risks, including cyber-attack. In the event of such an attack, disruption in service from our utility providers could disrupt our manufacturing operations which rely on a continuous source of power (electrical, gas, etc.).

International trade policies may impact demand for our products and our competitive position

Government policies on international trade and investment such as import quotas, capital controls or tariffs, whether adopted by individual governments or addressed by regional trade blocs, can affect the demand for our products and services, impact the competitive position of our products or prevent us (including our equity affiliates/joint ventures) from being able to sell products in certain countries. The implementation of more restrictive trade policies, such as higher tariffs or new barriers to entry, in countries in which we sell large quantities of products and services could negatively impact our business, results of operations and financial condition. For example, a government's adoption of "buy national" policies or retaliation by another government against such policies could have a negative impact on our results of operations. These policies also affect our equity companies.

Legal Proceedings

Dow Corning Corporation. Corning and The Dow Chemical Company ("Dow") each own 50% of the common stock of Dow Corning Corporation ("Dow Corning").

Dow Corning Breast Implant Litigation

In May 1995, Dow Corning filed for bankruptcy protection to address pending and claimed liabilities arising from many thousands of breast implant product lawsuits. On June 1, 2004, Dow Corning emerged from Chapter 11 with a Plan of Reorganization (the "Plan") which provided for the settlement or other resolution of implant claims. The Plan also includes releases for Corning and Dow as shareholders in exchange for contributions to the Plan.

Under the terms of the Plan, Dow Corning has established and is funding a Settlement Trust and a Litigation Facility to provide a means for tort claimants to settle or litigate their claims. Inclusive of insurance, Dow Corning has paid approximately $1.8 billion to the Settlement Trust. As of December 31, 2014, Dow Corning had recorded a reserve for breast implant litigation of $400 million. See Note 7 (Investments) for additional detail.

Other Dow Corning Claims Arising From Bankruptcy Proceedings

As a separate matter arising from the bankruptcy proceedings, Dow Corning is defending claims asserted by a number of commercial creditors who claim additional interest at default rates and enforcement costs, during the period from May 1995 through June 2004. As of December 31, 2014, Dow Corning has estimated the liability to commercial creditors to be within the range of $99 million to $324 million. As Dow Corning management believes no single amount within the range appears to be a better estimate than any other amount within the range, Dow Corning has recorded the minimum liability within the range. Should Dow Corning not prevail in this matter, Corning's equity earnings would be reduced by its 50% share of the amount in excess of $99 million, net of applicable tax benefits. There are a number of other claims in the bankruptcy proceedings against Dow Corning awaiting resolution by the U.S. District Court, and it is reasonably possible that Dow Corning may record bankruptcy-related charges in the future. The remaining tort claims against Dow Corning are expected to be channeled by the Plan into facilities established by the Plan or otherwise defended by the Litigation Facility.

Pittsburgh Corning Corporation and Asbestos Litigation. Corning and PPG Industries, Inc. ("PPG") each own 50% of the capital stock of Pittsburgh Corning Corporation ("PCC"). Over a period of more than two decades, PCC and several other defendants have been named in numerous lawsuits involving claims alleging personal injury from exposure to asbestos. On April 16, 2000, PCC filed for Chapter 11 reorganization in the U.S. Bankruptcy Court for the Western District of Pennsylvania. At the time PCC filed for bankruptcy protection, there were approximately 11,800 claims pending against Corning in state court lawsuits alleging various theories of liability based on exposure to PCC's asbestos products and typically requesting monetary damages in excess of one million dollars per claim. Corning has defended those claims on the basis of the separate corporate status of PCC and the absence of any facts supporting claims of direct liability arising from PCC's asbestos products.

PCC Plan of Reorganization

Corning, with other relevant parties, has been involved in ongoing efforts to develop a Plan of Reorganization that would resolve the concerns and objections of the relevant courts and parties. On November 12, 2013, the Bankruptcy Court issued a decision finally confirming an Amended PCC Plan of Reorganization (the "Amended PCC Plan" or the "Plan"). On September 30, 2014, the United States District Court for the Western District of Pennsylvania (the "District Court") affirmed the Bankruptcy Court's decision confirming the Amended PCC Plan. On October 30, 2014, one of the objectors to the Plan appealed the District Court's affirmation of the Plan to the United States Court of Appeals for the Third Circuit (the "Third Circuit Court of Appeals"), and that appeal is currently being scheduled for briefing. It will likely take many months for the Third Circuit Court of Appeals to render its decision.

Under the Plan as affirmed by the Bankruptcy Court and affirmed by the District Court, Corning is required to contribute its equity interests in PCC and Pittsburgh Corning Europe N.V. ("PCE"), a Belgian corporation, and to contribute $290 million in a fixed series of payments, recorded at present value. Corning has the option to use its shares rather than cash to make these payments, but the liability is fixed by dollar value and not the number of shares. The Plan requires Corning to make: (1) one payment of $70 million one year from the date the Plan becomes effective and certain conditions are met; and (2) five additional payments of $35 million, $50 million, $35 million, $50 million, and $50 million, respectively, on each of the five subsequent anniversaries of the first payment, the final payment of which is subject to reduction based on the application of credits under certain circumstances.

Non-PCC Asbestos Litigation

In addition to the claims against Corning related to its ownership interest in PCC, Corning is also the defendant in approximately 9,700 other cases (approximately 37,300 claims) alleging injuries from asbestos related to its Corhart business and similar amounts of monetary damages per case. When PCC filed for bankruptcy protection, the Court granted a preliminary injunction to suspend all asbestos cases against PCC, PPG and Corning – including these non-PCC asbestos cases (the "stay"). The stay remains in place as of the date of this filing. Under the Bankruptcy Court's order confirming the Amended PCC Plan, the stay will remain in place until the Amended PCC Plan is finally affirmed by the District Court and the Third Circuit Court of Appeals. These non-PCC asbestos cases have been covered by insurance without material impact to Corning to date. As of December 31, 2014, Corning had received for these cases approximately $19 million in insurance payments related to those claims. If and when the Bankruptcy Court's confirmation of the Amended PCC Plan is finally affirmed, these non-PCC asbestos claims would be allowed to proceed against Corning. Corning has recorded in its estimated asbestos litigation liability an additional $150 million for these and any future non-PCC asbestos cases.

Total Estimated Liability for the Amended PCC Plan and the Non-PCC Asbestos Claims

The liability for the Amended PCC Plan and the non-PCC asbestos claims was estimated to be $681 million at December 31, 2014, compared with an estimate of liability of $690 million at December 31, 2013. The $681 million liability is comprised of $241 million of the fair value of PCE, $290 million for the fixed series of payments, and $150 million for the non-PCC asbestos litigation, all referenced in the preceding paragraphs. With respect to the PCE liability, at December 31, 2014 and 2013, the fair value of $241 million and $250 million of our interest in PCE significantly exceeded its carrying value of $162 million and $167 million, respectively. There have been no impairment indicators for our investment in PCE and we continue to recognize equity earnings of this affiliate. At the time Corning recorded this liability, it determined it lacked the ability to recover the carrying amount of its investment in PCC and its investment was other than temporarily impaired. As a result, we reduced our investment in PCC to zero. As the fair value in PCE is significantly higher than book value, management believes that the risk of an additional loss in an amount materially higher than the fair value of the liability is remote. With respect to the liability for other asbestos litigation, the liability for non-PCC claims was estimated based upon industry data for asbestos claims since Corning does not have recent claim history due to the injunction issued by the Bankruptcy Court. The estimated liability represents the undiscounted projection of claims and related legal fees over the next 20 years. The amount may need to be adjusted in future periods as more data becomes available; however, we cannot estimate any additional losses at this time. For the years ended December 31, 2014 and 2013, Corning recorded asbestos litigation income of $9 million and expense of $19 million, respectively. The entire obligation is classified as a non-current liability, as installment payments for the cash portion of the obligation are not planned to commence until more than 12 months after the Amended PCC Plan becomes effective and the PCE portion of the obligation will be fulfilled through the direct contribution of Corning's investment in PCE (currently recorded as a non-current other equity method investment).

Non-PCC Asbestos Cases Insurance Litigation

Several of Corning's insurers have commenced litigation in state courts for a declaration of the rights and obligations of the parties under insurance policies, including rights that may be affected by the potential resolutions described above. Corning is vigorously contesting these cases, and management is unable to predict the outcome of the litigation.

Environmental Litigation. Corning has been named by the United States Environmental Protection Agency (the "EPA") under the Superfund Act or by state governments under similar state laws, as a potentially responsible party for 15 active hazardous waste sites. Under the Superfund Act, all parties who may have contributed any waste to a hazardous waste site, identified by the EPA, are jointly and severally liable for the cost of cleanup unless the EPA agrees otherwise. It is Corning's policy to accrue for its estimated liability related to Superfund sites and other environmental liabilities related to property owned by Corning based on expert analysis and continual monitoring by both internal and external consultants. At December 31, 2014 and 2013, Corning had accrued approximately $42.5 million (undiscounted) and $15 million (undiscounted), respectively, for the estimated liability for environmental cleanup and related litigation. Based upon the information developed to date, management believes that the accrued reserve is a reasonable estimate of the Company's liability and that the risk of an additional loss in an amount materially higher than that accrued is remote.

Chinese Anti-dumping Investigation Involving Single-Mode Optical Fiber Produced in India. In August 2013, China's Ministry of Commerce ("MOFCOM") initiated an anti-dumping proceeding involving single-mode optical fiber produced in India and exported to China. On August 13, 2014, MOFCOM announced its final determination in this investigation assessing a 24.5% dumping margin on Corning's Indian affiliate, CTIPL's, exports to China. The dumping margins will remain in effect until August 13, 2019 unless lowered, eliminated, or increased on interim review or extended by sunset review.

Chinese Anti-Dumping Investigation Involving Optical Fiber Preforms Produced in the United States. On March 19, 2014, China's MOFCOM initiated an anti-dumping investigation involving optical fiber preforms originating in the United States and Japan. The petition was submitted by China's domestic industry who is seeking to have anti-dumping duties in the range of 15-24% assessed against subject merchandise. On September 10, 2014, MOFCOM held an injury hearing, in which Corning participated and presented strong evidence of non-injury. We subsequently submitted a detailed non-injury brief and economic report further supporting the absence of threat of injury to the Chinese industry. We expect a final determination sometime in the first quarter of 2015.

Trade Secret Misappropriation Suits Concerning LCD Glass Technology. On July 18, 2011, in China, Corning Incorporated filed suit in the Beijing Second Intermediate People's Court against Hebei Dongxu Investment Group Co., Ltd., which changed its name to Dongxu Group Co., Ltd. ("Dongxu") for misappropriation of certain trade secrets related to the fusion draw process for manufacturing glass substrates used in active matrix liquid crystal displays ("LCDs"). On July 18, 2011, in South Korea, Corning Incorporated and Samsung Corning Precision Materials filed suits in the Daejeon District Court against Dongxu, one of its officers, and two other named individuals, for related trade secret misappropriation. On November 15, 2013, these cases were settled with Dongxu taking a license to the misappropriated technology for a royalty, broken up into two payments. Dongxu made the first payment in December 2013, and the second payment in November 2014.

Department of Justice Grand Jury Subpoena. In March 2012, Corning received a grand jury subpoena issued in the United States District Court for the Eastern District of Michigan from the U.S. Department of Justice in connection with an investigation into conduct relating to possible antitrust law violations involving certain automotive products, including catalytic converters, diesel particulate filters, substrates and monoliths. The subpoena required Corning to produce to the Department of Justice certain documents from the period January 1999 to March 2012. In November 2012, Corning received another subpoena from the Department of Justice, with the same scope, but extending the time frame for the documents to be produced back to January 1, 1988. Corning's policy is to comply with all laws and regulations, including all antitrust and competition laws. Antitrust investigations can result in substantial liability for the Company. Currently, Corning cannot estimate the ultimate financial impact, if any, resulting from the investigation. Such potential impact, if an antitrust violation by Corning is found, could however, be material to the results of operations of Corning in a particular period.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Corning Incorporated common stock is listed on the New York Stock Exchange. In addition, it is traded on the Boston, Midwest, Pacific and Philadelphia stock exchanges. Common stock options are traded on the Chicago Board Options Exchange. The ticker symbol for Corning Incorporated is "GLW."

The following table sets forth the high and low sales price of Corning's common stock as reported on the Composite Tape.

	First quarter	Second quarter	Third quarter	Fourth quarter
2014				
Price range				
High	$ 20.99	$ 22.20	$ 22.37	$ 23.52
Low	$ 16.55	$ 20.17	$ 19.23	$ 17.03
2013				
Price range				
High	$ 13.35	$ 16.43	$ 15.51	$ 18.07
Low	$ 11.75	$ 12.64	$ 13.84	$ 13.82

As of December 31, 2014, there were approximately 17,819 record holders of common stock and approximately 501,928 beneficial shareholders.

On October 3, 2012, Corning's Board of Directors declared a 20% increase in the Company's quarterly common stock dividend, increasing Corning's quarterly dividend to $0.09 per share of common stock. On April 24, 2013, Corning's Board of Directors declared an 11% increase in the Company's quarterly common stock dividend, increasing Corning's quarterly dividend to $0.10 per share of common stock. And on December 3, 2014, Corning's Board of Directors declared a 20% increase in the Company's quarterly common stock dividend, increasing Corning's quarterly dividend to $0.12 per share of common stock.

Equity Compensation Plan Information

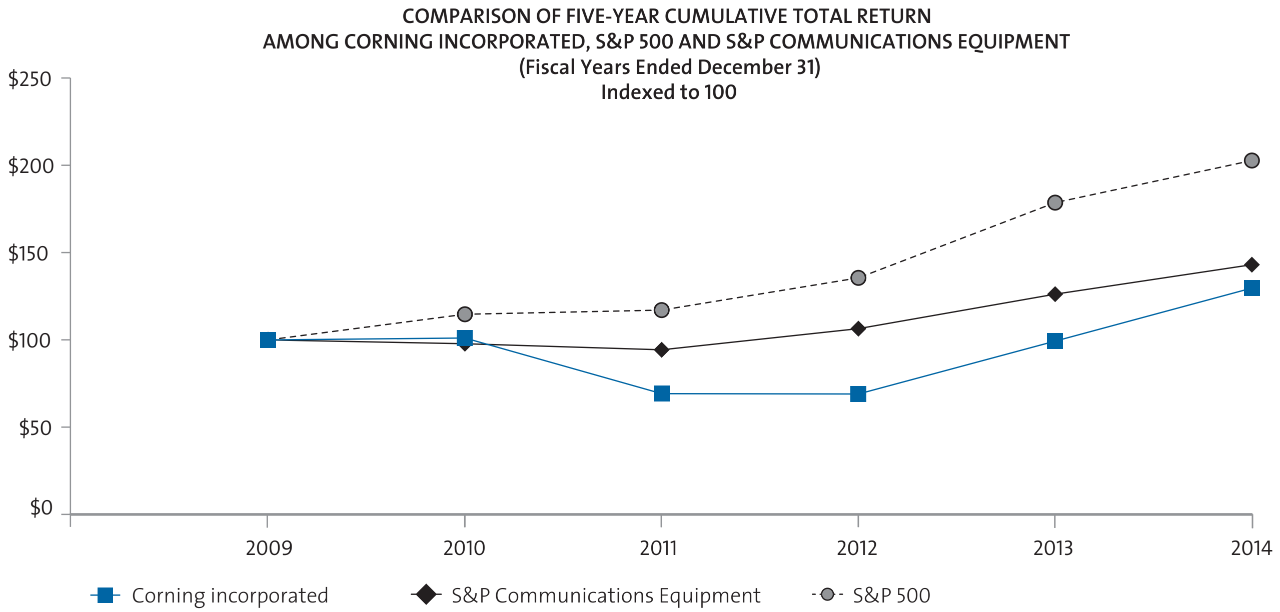
The following table shows the total number of outstanding options and shares available for other future issuances of options under our existing equity compensation plans as of December 31, 2014, including the 2010 Equity Plan for Non-Employee Directors and 2012 Long-Term Incentive Plan:

	A	B	C
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A)**
Equity compensation plans approved by security holders[(1)]	48,724,000	$ 18.94	75,235,046
Equity compensation plans not approved by security holders	0	0	0
Total	**48,724,000**	**$ 18.94**	**75,235,046**

(1) Shares indicated are total grants under the most recent shareholder approved plans as well as any shares remaining outstanding from any prior shareholder approved plans.

Performance Graph

The following graph illustrates the cumulative total shareholder return over the last five years of Corning's common stock, the S&P 500 and the S&P Communications Equipment Companies (in which Corning is currently included). The graph includes the capital weighted performance results of those companies in the communications equipment company classification that are also included in the S&P 500.



(b) Not applicable.

(c) The following table provides information about our purchases of our common stock during the fiscal fourth quarter of 2014:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Number of shares purchased(1)	Average price paid per share(1)	Number of shares purchased as part of publicly announced plans or programs(2)	Approximate dollar value of shares that may yet be purchased under the plans or programs(2)(3)
October 1-31, 2014	4,374,592	$ 18.33	4,364,700	$ 102,845,099
November 1-30, 2014	4,985,050	$ 20.63	4,984,411	$ 0
December 1-31, 2014	29,601	$ 21.21	0	$ 1,500,000,000
Total at December 31, 2014	**9,389,243**	**$ 19.56**	**9,349,111**	**$ 1,500,000,000**

(1) This column reflects the following transactions during the fiscal fourth quarter of 2014: (i) the deemed surrender to us of 878 shares of common stock to satisfy tax withholding obligations in connection with the vesting of employee restricted stock units; (ii) the surrender to us of 39,254 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees; and (iii) the purchase of 9,349,111 shares of common stock in conjunction with the repurchase program made effective concurrent with the closing of Corning's Acquisition of Samsung Corning Precision Materials on January 15, 2014.

(2) On October 22, 2013, we announced authorization to repurchase up to $2 billion of our common stock by December 31, 2015, through a repurchase program made effective on January 15, 2014. This program was finalized in the fourth quarter of 2014.

(3) On December 3, 2014, Corning's Board of Directors authorized the repurchase of up to $1.5 billion of our common stock between the date of announcement and December 31, 2016.

Selected Financial Data (Unaudited)

(In millions, except per share amounts and number of employees)	Years ended December 31, 2014	2013	2012	2011	2010
Results of operations					
Net sales	$ 9,715	$ 7,819	$ 8,012	$ 7,890	$ 6,632
Research, development and engineering expenses	$ 815	$ 710	$ 769	$ 668	$ 599
Equity in earnings of affiliated companies	$ 266	$ 547	$ 810	$ 1,471	$ 1,958
Net income attributable to Corning Incorporated	$ 2,472	$ 1,961	$ 1,636	$ 2,817	$ 3,574
Earnings per common share attributable to Corning Incorporated:					
Basic	$ 1.82	$ 1.35	$ 1.10	$ 1.80	$ 2.29
Diluted	$ 1.73	$ 1.34	$ 1.09	$ 1.78	$ 2.26
Cash dividends declared per common share	$ 0.52	$ 0.39	$ 0.32	$ 0.23	$ 0.20
Shares used in computing per share amounts:					
Basic earnings per common share	1,305	1,452	1,494	1,562	1,558
Diluted earnings per common share	1,427	1,462	1,506	1,583	1,581
Financial position					
Working capital	$ 7,914	$ 7,145	$ 7,739	$ 6,580	$ 6,873
Total assets	$ 30,063	$ 28,478	$ 29,375	$ 27,848	$ 25,833
Long-term debt	$ 3,227	$ 3,272	$ 3,382	$ 2,364	$ 2,262
Total Corning Incorporated shareholders' equity	$ 21,579	$ 21,162	$ 21,486	$ 21,078	$ 19,375
Selected data					
Capital expenditures	$ 1,076	$ 1,019	$ 1,801	$ 2,432	$ 1,007
Depreciation and amortization	$ 1,167	$ 1,002	$ 997	$ 957	$ 854
Number of employees	34,600	30,400	28,700	28,800	26,200

Reference should be made to the Notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Organization of Information

Management's Discussion and Analysis provides a historical and prospective narrative on the Company's financial condition and results of operations. This discussion includes the following sections:

- Overview
- Results of Operations
- Core Performance Measures
- Reportable Segments
- Liquidity and Capital Resources
- Environment
- Critical Accounting Estimates
- New Accounting Standards

Overview

The impact of the Acquisition of the remaining equity interests in our affiliate Samsung Corning Precision Materials, now known as Corning Precision Materials, combined with strong business performance in the Environmental Technologies and Optical Communications segments, drove an increase in sales of 24% in the year ended December 31, 2014, when compared to the same period last year. Net income increased significantly in 2014, up 26%, driven by the net gain on our yen-denominated hedging program, the consolidation of Corning Precision Materials, the positive impact of the change in the contingent consideration fair value resulting from the Acquisition, an increase in equity earnings from Dow Corning and higher net income in the Environmental Technologies and Optical Communications segments. The increase was offset somewhat by price declines outpacing volume increases in the Display Technologies segment, the negative impact of the depreciation of the Japanese yen against the U.S. dollar, several tax-related items and the net loss on several Acquisition-related items.

Net sales in the year ended December 31, 2014 were $9,715 million, compared to $7,819 million in the year ended December 31, 2013. When compared to 2013, the change in net sales was driven by the following items:

- An increase of $1.3 billion in the Display Technologies segment, driven by the consolidation of Corning Precision Materials, which increased sales by $1.8 billion, and an increase in volume that was slightly more than 10% in percentage terms, offset somewhat by price declines in the mid-teens in percentage terms and the negative impact of the Japanese yen versus the U.S. dollar exchange rate in the amount of $373 million;
- An increase in net sales in the Optical Communications segment in the amount of $326 million, driven by an increase in sales of carrier network products in the amount of $254 million, largely due to growth in North America and Europe, the $53 million impact of a small acquisition and the consolidation of an investment due to a change in control which occurred at the end of the second quarter of 2013 and an increase of $72 million in enterprise network products. These increases were offset slightly by a $52 million decrease in optical fiber sales in China; and
- An increase of $173 million in the Environmental Technologies segment, due mainly to an increase in demand for our heavy duty diesel products, driven by new governmental regulations in Europe and China and increased demand for Class 8 vehicles in North America.

For the year ended December 31, 2014, we generated net income of $2.5 billion or $1.73 per share compared to net income of $2 billion or $1.34 per share for 2013. When compared to last year, the increase in net income was due to the following items (amounts presented after tax):

- The positive net impact of our yen-denominated hedge programs, driven by the weakening of the Japanese yen in 2014, in the amount of $560 million;
- The impact of the consolidation of Corning Precision Materials, as well as cost reductions and efficiencies gained through synergies;
- The change in the contingent consideration fair value resulting from the Acquisition in the amount of $194 million;
- An increase of $56 million in equity earnings from Dow Corning, driven by Corning's share of a gain in the amount of $393 million from the reduction in the implant liability, favorable tax adjustments of $46 million and an increase in business results in both the silicone and polysilicon segments, offset by Corning's share of a charge taken related to the abandonment of a polycrystalline silicon facility in the amount of $465 million; and
- A $50 million increase in net income in the Environmental Technologies segment, driven by an increase in demand for our diesel and automotive products and improved manufacturing efficiency.

The increase in net income for the year ended December 31, 2014 was offset somewhat by the following items (amounts presented after-tax):

- The impact of several tax-related items in the amount of $231 million, including changes in deferred tax valuation allowances of $150 million, $46 million of tax expense related to out-of-period transfer pricing adjustments and the absence of a tax benefit in the amount of $54 million recorded in the first quarter of 2013 related to the impact of the American Taxpayer Relief Act enacted on January 3, 2013 retroactive to 2012;

- The net impact of several Acquisition-related items in the amount of $72 million;
- The negative impact from the Japanese yen versus the U.S. dollar exchange rate in the amount of $210 million; and
- In the Display Technologies segment, price declines in the mid-teens in percentage terms outpacing an increase in volume slightly higher than 10%.

Corning remains committed to a strategy of growing through global innovation. This strategy has served us well. Our key priorities for 2014 were similar to those in prior years: protect our financial health and invest in the future. During 2014, we made the following progress on these priorities:

Protecting Financial Health

Our financial position remained sound and we delivered strong cash flows from operating activities. Significant items in 2014 included the following:

- We ended the year with $6.1 billion of cash, cash equivalents and short-term investments, an increase from the December 31, 2013 balance of $5.2 billion, well above our debt balance at December 31, 2014 of $3.3 billion. The increase in cash was driven by the consolidation of Corning Precision Materials, the cash received from Samsung Display for the additional issuance of Preferred Stock in connection with the Acquisition and strong operating cash flow, offset by the cash paid for our share repurchases.
- Our debt to capital ratio of 13% at December 31, 2014 was consistent with our ratio at December 31, 2013.
- Operating cash flow for the year was $4.7 billion, an increase of $1.9 billion when compared to December 31, 2013, driven by a dividend in the amount of approximately $1.6 billion from Samsung Corning Precision Materials distributed subsequent to the Acquisition of the remaining equity interests of the affiliate.

Investing in our Future

Corning is one of the world's leading innovators in materials science. For more than 160 years, Corning has applied its unparalleled expertise in specialty glass, ceramics, and optical physics to develop products that have created new industries and transformed people's lives. Although our spending level for research, development and engineering decreased slightly from 9% of sales in 2013 to 8% of sales in 2014, we maintained our innovation strategy focused on growing our existing businesses, developing opportunities adjacent or closely related to our existing technical and manufacturing capabilities, and investing in long-range opportunities in each of our market segments. We continue to work on new products, including glass substrates for high performance displays and LCD applications, precision glass for advanced displays, emissions control products for cars, trucks, and off-road vehicles, products that accelerate drug discovery and manufacturing and the optical fiber, cable and hardware and equipment that enable fiber-to-the-premises, and next generation data centers. In addition, we are focusing on wireless solutions for diverse venue applications, such as distributed antenna systems, fiber-to-the cell site and fiber-to-the antenna. We have focused our research, development and engineering spending to support the advancement of new product attributes for our Corning® Gorilla® Glass suite of products. We will continue to focus on adjacent glass opportunities which leverage existing materials or manufacturing processes, including Corning® Willow™ Glass, our ultra-slim flexible glass substrate for use in next-generation consumer electronic technologies.

Capital spending totaled $1.1 billion in 2014, slightly above the amount spent in 2013. Spending in 2014 was driven primarily by the Display Technologies segment, and focused on finishing line optimization and tank rebuilds. We expect our 2015 capital expenditures to be approximately $1.3 billion to $1.4 billion. We anticipate approximately $650 million will be allocated to our Display Technologies segment.

Corporate Outlook

We expect 2015 to produce another year of sales increases in our Optical Communications, Life Sciences, Specialty Materials and Environmental Technologies segments, and for the LCD retail glass market and Corning's glass volume to grow. We believe the overall LCD glass retail market in 2015 will increase in the high-single digits, driven by the combination of an increase in retail sales of LCD televisions and the demand for larger television screen sizes. We anticipate a rise in global demand for Corning's carrier network products, combined with growth of enterprise network products, will increase sales in our Optical Communications segment. We believe sales of Corning Gorilla Glass will improve in 2015, as we expect price declines to be moderate and volume to improve in line with the increase in the handheld market. And we expect another strong year of manufacturing process improvements and cost reductions, which, in combination with sales growth, will deliver overall earnings growth for Corning. We remain confident that our strategy to grow through global innovation, while preserving our financial stability, will enable our continued long-term success.

Results of Operations

Selected highlights from our continuing operations follow (in millions):

	2014	2013	2012	% change 14 vs. 13	% change 13 vs. 12
Net sales	$ 9,715	$ 7,819	$ 8,012	24	(2)
Gross margin	$ 4,052	$ 3,324	$ 3,319	22	*
(gross margin %)	42%	43%	41%		
Selling, general and administrative expense	$ 1,211	$ 1,126	$ 1,205	8	(7)
(as a % of net sales)	12%	14%	15%		
Research, development and engineering expenses	$ 815	$ 710	$ 769	15	(8)
(as a % of net sales)	8%	9%	10%		
Restructuring, impairment and other charges	$ 71	$ 67	$ 133	6	(50)
(as a % of net sales)	1%	1%	2%		
Equity in earnings of affiliated companies	$ 266	$ 547	$ 810	(51)	(32)
(as a % of net sales)	3%	7%	10%		
Transaction-related gain, net	$ 74			*	
(as a % of net sales)	1%				
Other income, net	$ 1,394	$ 667	$ 83	109	704
(as a % of net sales)	14%	9%	1%		
Income before income taxes	$ 3,568	$ 2,473	$ 1,975	44	25
(as a % of net sales)	37%	32%	25%		
Provision for income taxes	$ (1,096)	$ (512)	$ (339)	114	51
(as a % of net sales)	(11)%	(7)%	(4)%		
Net income attributable to Corning Incorporated	$ 2,472	$ 1,961	$ 1,636	26	20
(as a % of net sales)	25%	25%	20%		

* Percent change not meaningful.

Net Sales

Corning's net sales in the year ended December 31, 2014 improved in all of our segments, increasing by $1,896 million to $9,715 million, when compared to the same period in 2013, driven by the following events:

- Display Technologies increased by $1.3 billion, due to the consolidation of Corning Precision Materials, which increased sales by $1.8 billion, and an increase in volume that was slightly more than 10% in percentage terms, offset somewhat by price declines in the mid-teens and the negative impact of the Japanese yen versus the U.S. dollar exchange rate in the amount of $373 million;
- Optical Communications increased by $326 million, driven by an increase in sales of carrier network products in the amount of $254 million, largely due to growth in North America and Europe, up $113 million and $46 million, respectively, the impact of a full year of sales from a small acquisition and the consolidation of an investment due to a change in control that occurred at the end of the second quarter of 2013, which added $53 million, and an increase of $72 million in enterprise network products. These increases were offset slightly by a $52 million decrease in optical fiber sales in China;
- An increase of $173 million in the Environmental Technologies segment, due mainly to an increase in demand for our heavy duty diesel products, driven by new governmental regulations in Europe and China, and increased demand for Class 8 vehicles in North America. Automotive substrate sales were also strong, increasing 9%, due to increased demand in Europe and China;
- Specialty Materials improved by $35 million, driven by an increase in sales of advanced optics products. Corning Gorilla Glass sales remained consistent with the prior year, with volume increases offset by an unfavorable shift in product mix and price declines; and
- Life Science increased by $11 million, driven by growth in North America and China, up $12 million and $5 million, respectively.

For the year ended December 31, 2013, net sales remained relatively consistent when compared to the year ended December 31, 2012, with higher sales in the Optical Communications and Life Sciences segments offset by declines in the Display Technologies, Environmental Technologies and Specialty Materials segments. The change in net sales was largely driven by the following:

- Optical Communications sales increased by $196 million, driven by an increase in sales of our carrier products in the amount of $163 million, largely due to the ramp-up of the fiber-to-the-premises initiative in Australia, which increased by $28 million, an increase of $23 million in sales of wireless products and higher sales of fiber and cable products in North America, China and Europe, up $52 million, $33 million and $26 million, respectively. Also included in the increase in sales of carrier products is the impact of a small acquisition completed in the second quarter of 2013 and the consolidation of an investment due to a change in control, which added approximately $53 million in 2013;
- Net sales increased by $194 million in the Life Sciences segment, driven by the impact of the acquisition of the Discovery Labware business in the fourth quarter of 2012;

- Display Technologies segment sales were lower, driven by price declines in the mid-teens and the impact of the depreciation of the Japanese yen versus the U.S. dollar offsetting volume increases in the mid-twenties in percentage terms;
- Environmental Technologies segment sales decreased, driven by a decline of 9% for diesel products;
- Net sales declined by $176 million in the Specialty Materials segment, driven by a 17% decline in sales of Corning Gorilla Glass.

In 2014, 2013 and 2012, sales into international markets accounted for 77%, 74% and 77%, respectively, of total net sales.

Cost of Sales

The types of expenses included in the cost of sales line item are: raw materials consumption, including direct and indirect materials; salaries, wages and benefits; depreciation and amortization; production utilities; production-related purchasing; warehousing (including receiving and inspection); repairs and maintenance; inter-location inventory transfer costs; production and warehousing facility property insurance; rent for production facilities; and other production overhead.

Gross Margin

For 2014, gross margin dollars increased by $728 million when compared to 2013, driven largely by the consolidation of Corning Precision Materials, combined with an increase of $102 million in the Environmental Technologies segment from higher volume and improved manufacturing efficiencies. Gross margin as a percentage of net sales decreased when compared to the same period last year, due primarily to the impact of the depreciation of the Japanese yen versus the U.S. dollar in the amount of $333 million, price declines in the mid-teens in percentage terms in our Display Technologies segment, higher pension expense of approximately $50 million and the impact of inventory builds in 2013 in the Optical Communications and Specialty Materials segments that did not repeat in 2014.

For 2013, gross margin dollars and as a percentage of sales increased when compared to 2012, led by a decrease in pension expense in the amount of $150 million driven by a 100 basis point increase in the discount rate used to value our U.S. pension liability and an increase of 6% in the Specialty Materials segment, resulting from improvements in manufacturing efficiency and cost reduction programs. The depreciation of the Japanese yen versus the U.S. dollar and price declines in the Display Technologies segment partially offset the increase.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the year ended December 31, 2014 increased by $85 million when compared to 2013. The increase was largely driven by the consolidation of Corning Precision Materials, which added $90 million, an increase in pension expense of approximately $27 million, an increase of $38 million in share-based and performance-based compensation expenses and an increase of approximately $90 million in acquisition-related costs, including $72 million of post-combination compensation expense, offset somewhat by the positive impact of a contingent consideration fair value adjustment of $249 million. As a percentage of net sales, selling, general and administrative expenses were 12%, considerably lower than the same period in 2013, largely due to the contingent consideration fair value adjustment more than offsetting the increase in Selling, general, and administrative expenses resulting from the Acquisition.

Selling, general, and administrative expenses for 2013 decreased by $79 million when compared to 2012. This decrease was largely driven by a decrease in pension expense in the amount of $76 million driven by a 100 basis point increase in the discount rate used to value our U.S. pension liability, cost control measures implemented in our segments and a decline in variable compensation in the amount of $27 million, offset somewhat by an increase in costs in the Optical Communications, Specialty Materials and Life Sciences segments. As a percentage of net sales, these expenses decreased when compared to the same period last year.

The types of expenses included in the selling, general and administrative expenses line item are: salaries, wages and benefits; travel; professional fees; and depreciation and amortization, utilities, and rent for administrative facilities.

Research, Development and Engineering Expenses

For the year ended December 31, 2014, research, development, and engineering expenses increased by $105 million when compared to the same period last year, driven by the consolidation of Corning Precision Materials, which added $69 million, an increase of approximately $30 million in new business development spending and $20 million of additional pension expense. We continue to focus on new product development in areas such as glass substrates for high performance displays in our Display Technologies segment, wireless solutions for diverse venue applications in the Optical Communications segment and advancement of new product attributes for our Corning Gorilla Glass suite of products in our Specialty Materials segment. As a percentage of net sales, research, development and engineering expenses declined slightly, from 9% in 2013 to 8% in 2014, reflecting cost control measures implemented in 2014.

For the year ended December 31, 2013, research, development, and engineering expenses decreased by $59 million when compared to the same period last year, driven by a decrease in pension expense in the amount of $47 million driven by a 100 basis point increase in the discount rate used to value our U.S. pension liability and declines in our Display Technologies and Environmental Technologies segments of $19 million and $11 million, respectively, offset slightly by higher costs in the Optical Communications, Specialty Materials and Life Sciences segments. As a percentage of net sales, research, development and engineering expenses declined slightly in the year ended December 31, 2013, when compared to the same period in 2012.

Restructuring, Impairment, and Other Charges and Credits

Corning recorded restructuring, impairment, and other charges and credits in 2014, 2013 and 2012, which affect the comparability of our results for the periods presented. Additional information on restructuring and asset impairment is found in Note 2 (Restructuring, Impairment and Other Charges) to the Consolidated Financial Statements. A description of those charges and credits follows:

2014 Activity

For the year ended December 31, 2014, we recorded charges of $71 million for workforce reductions, asset disposals and write-offs, and exit costs for restructuring activities with total cash expenditures estimated to be $51 million. Annualized savings from these actions are estimated to be approximately $94 million and will be reflected largely in selling, general, and administrative expenses.

2013 Activity

To better align our 2014 cost position in several of our businesses, Corning implemented a global restructuring plan within several of our segments in the fourth quarter of 2013, consisting of workforce reductions, asset disposals and write-offs, and exit costs.

We recorded charges of $67 million, before tax, associated with these actions, with total cash expenditures expected to be approximately $40 million.

2012 Activity

In response to uncertain global economic conditions, and the potential for slower growth in many of our businesses in 2013, Corning implemented a corporate-wide restructuring plan in the fourth quarter of 2012. We recorded charges of $89 million, before tax, which included costs for workforce reductions, asset write-offs and exit costs. Total cash expenditures associated with these actions were approximately $49 million, and spending for employee-related costs was completed in 2013.

The Specialty Materials segment recorded an impairment charge in the fourth quarter of 2011 in the amount of $130 million, before tax, related to certain assets used in the production of large cover glass due to sales that were significantly below our expectations. In the fourth quarter of 2012, after reassessing the large cover glass business, Corning concluded that the large cover glass market was developing differently in 2012 than our expectations, demand for larger-sized cover glass was declining, and the market for this type of glass was instead targeting smaller gen size products. Additionally, in the fourth quarter of 2012, our primary customer of large cover glass notified Corning of its decision to exit from this display market. Based on these events, we recorded an additional impairment charge in the fourth quarter of 2012 in the amount of $44 million, before tax. This impairment charge represents a write-down of assets specific to the glass-strengthening process for large size cover glass to their fair market values, and includes machinery and equipment used in the ion exchange process.

Asbestos Litigation

In 2014, we recorded a decrease to our asbestos litigation liability of $9 million compared to an increase of $19 million in 2013 and $14 million in 2012.

Our asbestos litigation liability was estimated to be $681 million at December 31, 2014, compared with an estimate of $690 million at December 31, 2013. The entire obligation is classified as a non-current liability as installment payments for the cash portion of the obligation are not planned to commence until more than 12 months after the proposed Amended PCC Plan is ultimately effective, and a portion of the obligation will be fulfilled through the direct contribution of Corning's investment in PCE (currently recorded as a non-current other equity method investment).

See Legal Proceedings for additional information about this matter.

Equity in Earnings of Affiliated Companies

The following provides a summary of equity earnings of affiliated companies (in millions):

	Years ended December 31,		
	2014	2013	2012
Samsung Corning Precision Materials		$ 320	$ 699
Dow Corning	$ 252	196	90
All other	14	31	21
Total equity earnings	**$ 266**	**$ 547**	**$ 810**

Equity earnings of affiliated companies decreased in the twelve months ended December 31, 2014, when compared to the same period last year, reflecting the Acquisition and consolidation of Samsung Corning Precision Materials, offset somewhat by an increase in equity earnings from Dow Corning.

Dow Corning

The following table provides a summary of equity earnings from Dow Corning, by component (in millions):

	Year ended December 31,		
	2014	2013	2012
Silicones	$ 653	$ 166	$ 122
Polysilicon (Hemlock Semiconductor Group)	(401)	30	(32)
Total Dow Corning	**$ 252**	**$ 196**	**$ 90**

Beginning in the latter half of 2011, and continuing into 2012, Dow Corning began experiencing unfavorable industry conditions at its consolidated subsidiary Hemlock, a producer of high purity polycrystalline silicon for the semiconductor and solar industries, driven by over-capacity at all levels of the solar industry supply chain. This over-capacity led to significant declines in polycrystalline spot prices in the fourth quarter of 2011, and prices remained depressed throughout 2012. In 2013, markets stabilized, but prices remain significantly below historical levels.

Due to the conditions and uncertainties during 2012 described above, sales volume declined and production levels of certain operating assets were reduced. As a result, in the fourth quarter of 2012, Dow Corning determined that a polycrystalline silicon plant expansion previously delayed since the fourth quarter of 2011 would no longer be economically viable and made the decision to abandon this expansion activity. The abandonment resulted in an impairment charge of $57 million, before tax, for Corning's share of the write down in the value of these construction-in-progress assets. Further, the startup of another polycrystalline silicon plant expansion that was expected to begin production in 2013 was delayed and its assets were idled.

In July 2012, the MOFCOM initiated antidumping and countervailing duty investigations of imports of solar-grade polycrystalline silicon products from the U.S. and South Korea based on a petition filed by Chinese solar-grade polycrystalline silicon producers. The petition alleged that producers within these countries exported solar-grade polycrystalline silicon to China at less than fair value and that production of solar-grade polycrystalline silicon in the U.S. has been subsidized by the U.S. government. On July 18, 2013, MOFCOM announced its preliminary determination that China's solar-grade polycrystalline silicon industry suffered material damage because of dumping by producers in the U.S. and Korea. The Chinese authorities imposed provisional antidumping duties on producers in the U.S. and Korea ranging from 2.4% to 57.0%, including duties of 53.3% on future imports of solar-grade polycrystalline silicon product from the Dow Corning subsidiary into China. On September 16, 2013, the Chinese authorities imposed provisional countervailing duties of 6.5% on solar grade polycrystalline silicon products from the Dow Corning subsidiary. On January 20, 2014, MOFCOM issued a final determination. The final determination resulted in no change to the antidumping duties, and the countervailing duties were reduced to 2.1%. The requirement for customers to pay provisional duties on imports from solar-grade polycrystalline silicon producers became effective on July 24, 2013 for the antidumping duties and on September 20, 2013 for the countervailing duties, adjusted for the final determination. Dow Corning will not be subject to duties for previous sales.

In December 2014, Dow Corning determined its polycrystalline silicon plant expansion which was delayed in the fourth quarter of 2012, would not be economically viable and made the decision to permanently abandon the assets. This decision was made after review of sustained adverse market conditions and continued oversupply, the cost of operating the facility and the ongoing impact of tariffs on polycrystalline silicon imported into China. The decision to permanently cease use of these assets resulted in Dow Corning taking a pre-tax charge of approximately $1.5 billion in the fourth quarter of 2014 (Corning's share after-tax: $465 million). As a result of the significant change in the use of this asset, Dow Corning assessed whether the carrying value of all polycrystalline silicon assets might be impaired. Dow Corning's estimates of future undiscounted cash flows indicated the polycrystalline silicon asset group was recoverable.

In May 1995, Dow Corning filed for bankruptcy protection to address pending and claimed liabilities arising from breast implant product lawsuits. On June 1, 2004, Dow Corning emerged from Chapter 11 with a Plan of Reorganization (the "Plan") which provided for the settlement or other resolution of implant claims. Under the Plan, Dow Corning established and agreed to fund a products liability settlement program (the "Settlement Facility"). The Plan contains a cap on the amount of payments required from Dow Corning to fund the Settlement Facility. Inclusive of insurance, Dow Corning has paid approximately $1.8 billion to the Settlement Facility, and approximately $1.3 billion has been paid to claimants out of the Settlement Facility. Dow Corning's recorded liability related to implant matters ("Implant Liability") was approximately $1.7 billion at September 30, 2014, representing Dow Corning's estimated remaining obligation for future funding of the Settlement Facility.

During the fourth quarter of 2014, Dow Corning, with the assistance of a third-party advisor, developed an estimate of the future Implant Liability based on evidence that the actual funding required for the Settlement Facility is expected to be lower than the full funding cap set forth in the Plan. On December 12, 2014, Dow Corning reduced its Implant Liability by approximately $1.3 billion (Corning's share after-tax: $393 million). Previously, the Implant Liability was based on the full funding cap set forth in the Plan. The revised Implant Liability reflects Dow Corning's best estimate of its remaining obligations under the Plan. Should events or circumstances occur in the future which change Dow Corning's estimate of the remaining funding obligations, the Implant Liability will be revised. This adjustment does not affect Dow Corning's commitment or ability to fulfill its obligations under the settlement, and all claims that qualify under the settlement will be paid according to the terms of the Plan.

2014 vs. 2013

Equity earnings from Dow Corning increased by $56 million in the twelve months ended December 31, 2014, when compared to the same period in 2013, driven by the following items:

- An increase in equity earnings of $487 million in the silicones segment, driven by the gain resulting from the reduction of the Implant Liability in the amount of $393 million, favorable tax adjustments in the amount of $46 million and a decrease in tax expense, offset somewhat by a $5 million decrease in the amount of gains recorded on the mark-to-market of a derivative instrument; and
- An decrease in equity earnings of $431 million in the polysilicon segment, driven by Corning's share of Dow Corning's charge for the abandonment of a polycrystalline silicon plant expansion in the amount of $465, offset slightly by higher volume, the absence of $11 million in restructuring charges incurred in the first half of 2013, a gain in the amount of $6 million related to energy tax credits and the settlement of a long-term sales agreement in the first quarter of 2014 in the amount of $9 million.

2013 vs. 2012

Equity earnings from Dow Corning increased by 118% in the twelve months ended December 31, 2013 when compared to the same period in 2012, due to the following items:

- In the silicones segment, a gain of $20 million associated with the termination of a long-term sales agreement, the positive impact of the recognition of a derivative instrument in the amount of $16 million, the absence of the 2012 restructuring charge of $30 million, coupled with cost reduction resulting from these actions, and lower variable compensation costs. The increase in earnings was partially offset by the negative impact of price declines and weaker demand in Asia and the Americas; and
- In the polysilicon segment, the absence of the impairment charge of $57 million recorded in 2012 related to the abandonment of a polycrystalline silicon plant expansion, offset by Corning's share of restructuring charges at Hemlock in the amount of $11 million and the absence of the gain of $10 million associated with the resolution of a contract dispute.

Other Income, Net

"Other income, net" in Corning's consolidated statements of income includes the following (in millions):

	Years ended December 31,		
	2014	2013	2012
Royalty income from Samsung Corning Precision Materials		$ 56	$ 83
Foreign currency transaction and hedge gains, net	$ 1,352	500	8
Loss on retirement of debt			(26)
Foreign government subsidy	3	55	
Other, net	39	56	18
Total	**$ 1,394**	**$ 667**	**$ 83**

Beginning in the first quarter of 2014, due to the Acquisition and consolidation of Samsung Corning Precision Materials (now Corning Precision Materials), royalty income from Corning Precision Materials is no longer recognized in Corning's consolidated statement of income.

Included in the line item Foreign currency transaction and hedge gains, net, for the years ended December 31, 2014 and 2013 is the impact of purchased collars and average forward contracts which hedge our translation exposure resulting from movements in the Japanese yen against the U.S. dollar and its impact on our net earnings. In the years ended December 31, 2014 and 2013, we recorded net pre-tax gains on our yen-denominated hedging programs in the amount of $1,406 million and $435 million, respectively, which included $344 million and $110 million of realized gains, respectively. These gains were driven by the mark-to-market valuation of the purchased collars and average forward contracts, and occurred due to the depreciation in the 2014 and 2013 exchange rates for the Japanese yen versus the U.S. dollar of 14% and 22%, respectively. The gross notional value outstanding for purchased collars and average rate forward contracts was $9.8 billion at December 31, 2014 and $6.8 billion at December 31, 2013. Refer to Item 7A Quantitative and Qualitative Disclosures About Market Risks for additional details.

In the second quarter of 2014, following the Acquisition, we entered into a portfolio of zero cost collars to hedge our exposure to movements in the Korean won and its impact on our net earnings. These zero cost collars have a gross notional value outstanding at December 31, 2014 of $2.3 billion, and began settling quarterly in the third quarter of 2014 and will conclude at the end of 2015. The net pre-tax loss on these zero cost collars, which is also included in the line item Foreign currency transaction and hedge gains, net, was $37 million for the twelve months ended December 31, 2014, and included $6 million of realized losses.

Income Before Income Taxes

Income before income taxes for the year ended December 31, 2014, was negatively impacted by the depreciation of the Japanese yen versus the U.S. dollar in the amount of $297 million.

Provision for Income Taxes

Our provision for income taxes and the related effective income tax rates were as follows (dollars in millions):

	Years ended December 31,		
	2014	2013	2012
Provision for income taxes	$ 1,096	$ 512	$ 339
Effective tax rate	30.7%	20.7%	17.2%

The effective income tax rate for 2014 differed from the U.S. statutory rate of 35% primarily due to the following items:

- Rate differences on income (loss) of consolidated foreign companies, including the benefit of excess foreign tax credits attributable to a taxable intercompany loan made to the U.S., and
- The impact of equity in earnings of nonconsolidated affiliates reported in the financials, net of tax.

Partially offsetting the benefits above is a $177 million charge attributable to a change in judgment on the realizability of certain foreign deferred taxes assets in Germany and Japan.

The effective income tax rate for 2013 differed from the U.S. statutory rate of 35% primarily due to the following items:

- Rate differences on income (loss) of consolidated foreign companies;
- The impact of equity in earnings of nonconsolidated affiliates reported in the financials, net of tax;
- The benefit of tax incentives in foreign jurisdictions, primarily Taiwan; and
- Tax benefit of $54 million for the impact of the American Taxpayer Relieve Act enacted on January 3, 2013 and made retroactive to 2012.

Partially offsetting the benefits above is a $48 million charge attributable to a change in the judgment regarding the realizability of certain foreign and state deferred tax assets.

Corning has valuation allowances on certain shorter-lived deferred tax assets such as those represented by capital loss and state tax net operating loss carry forwards, as well as other foreign net operating loss carryforwards, because we cannot conclude that it is more likely than not that we will earn income of the character or amount required to utilize these assets before they expire. The amount of U.S. and foreign deferred tax assets that have remaining valuation allowances at December 31, 2014 and 2013 was $298 million and $286 million, respectively.

Corning continues to indefinitely reinvest substantially all of its foreign earnings, with the exception of approximately $10 million of current earnings that have very low or no tax cost associated with their repatriation. Our current analysis indicates that we have sufficient U.S. liquidity, including borrowing capacity, to fund foreseeable U.S. cash needs without requiring the repatriation of foreign cash. One time or unusual items that may impact our ability or intent to keep our foreign earnings and cash indefinitely reinvested include significant U.S. acquisitions, stock repurchases, shareholder dividends, changes in tax laws, derivative contract settlements or the development of tax planning ideas that allow us to repatriate earnings at minimal or no tax cost, and/or a change in our circumstances or economic conditions that negatively impact our ability to borrow or otherwise fund U.S. needs from existing U.S. sources. As of December 31, 2014, taxes have not been provided on approximately $10.3 billion of accumulated foreign unremitted earnings that are expected to remain invested indefinitely. While it remains impracticable to calculate the tax cost of repatriating our total unremitted foreign earnings, such cost could be material to the results of operations of Corning in a particular period.

Our foreign subsidiary in Taiwan operates under various tax holiday arrangements. The nature and extent of such arrangements vary, and the benefits of such arrangements phase out through 2018. The impact of the tax holidays on our effective rate is a reduction in the rate of 0.4, 1.2 and 1.7 percentage points for 2014, 2013 and 2012, respectively.

While we expect the amount of unrecognized tax benefits to change in the next 12 months, we do not expect the change to have a significant impact on the results of operations or our financial position.

Refer to Note 6 (Income Taxes) to the Consolidated Financial Statements for further details regarding income tax matters.

Net Income Attributable to Corning Incorporated

As a result of the items discussed above, net income and per share data was as follows (in millions, except per share amounts):

	Years ended December 31,		
	2014	2013	2012
Net income attributable to Corning Incorporated	$ 2,472	$ 1,961	$ 1,636
Basic earnings per common share	$ 1.82	$ 1.35	$ 1.10
Diluted earnings per common share	$ 1.73	$ 1.34	$ 1.09
Shares used in computing per share amounts			
Basic earnings per common share	1,305	1,452	1,494
Diluted earnings per common share	1,427	1,462	1,506

Comprehensive Income

	Years ended December 31,		
(In millions)	2014	2013	2012
Net income attributable to Corning Incorporated	$ 2,472	$ 1,961	$ 1,636
Foreign currency translation adjustments and other	(1,073)	(682)	(179)
Net unrealized (losses) gains on investments	(1)	2	13
Unamortized (losses) gains and prior service costs for postretirement benefit plans	(281)	392	(1)
Net unrealized gains (losses) on designated hedges	4	(24)	47
Other comprehensive loss, net of tax (Note 17)	(1,351)	(312)	(120)
Comprehensive income attributable to Corning Incorporated	**$ 1,121**	**$ 1,649**	**$ 1,516**

2014 vs. 2013

For the year ended December 31, 2014, comprehensive income decreased by $528 million when compared to the same period in 2013, driven by an increase in unamortized losses for postretirement benefit plans and the negative impact of the change in foreign currency translation adjustments, offset by an increase of $511 million in net income attributable to Corning Incorporated.

The increase in unamortized losses for postretirement benefit plans in the amount of $673 million is driven mainly by changes to the discount rate and mortality assumptions used to value Corning's U.S. pension and postretirement medical and life benefit plan ("OPEB") obligations and the benefit plan obligations of our equity affiliate Dow Corning at December 31, 2014. Corning and Dow Corning adopted the Society of Actuaries mortality table RP-2014 published in October, 2014, along with an updated improvement scale, and the discount rate for our U.S. benefit plans decreased between 75 and 100 basis points. At December 31, 2014, the decrease in discount rates and the change in the mortality assumption for our U.S. plans led to an actuarial after-tax loss of approximately $281 million versus a gain in 2013 of $392 million. The loss of $281 million occurring in 2014 included the impact to our U.S. pension and OPEB plans from the mortality table change in the amount of $88 million, the impact of $89 million from changes in other actuarial assumptions and $124 million from our equity affiliate Dow Corning, offset by reclassifications to the income statement of $20 million after-tax related to U.S. non-qualified and international pension plans. Because the actuarial loss for our U.S qualified pension plan did not fall outside of the corridor, which is defined as equal to 10% of the greater of the benefit obligation or the market-related value of plan assets at the beginning of the year, it was recorded in accumulated other comprehensive income ("AOCI") and did not impact net income for the year ended December 31, 2014.

The increase in the loss on foreign currency translation adjustments for the year ended December 31, 2014 in the amount of $391 million was driven by the following items: 1) the increase in the loss in the translation of Corning's consolidated subsidiaries in the amount of $65 million, which resulted primarily from the depreciation of the Japanese yen to U.S. dollar translation rate during 2014; 2) the increase in the loss in the translation of Corning's equity method investments in the amount of $190 million; and 3) the reclassification of a gain to net income in the amount of $136 million related to the Acquisition of Samsung Corning Precision Materials.

2013 vs. 2012

For the year ended December 31, 2013, comprehensive income increased by $133 million, when compared to the same period in 2012, driven by an increase in net income attributable to Corning Incorporated and an increase in unamortized gains for postretirement benefit plans, offset partially by the increase in the loss on foreign currency translation adjustments.

The increase in the amount of unamortized gains for postretirement benefit plans is due to an increase of between 75 and 100 basis points in the discount rates used to value Corning's U.S. pension and postretirement medical and life benefit plan ("OPEB") obligations and the benefit plan obligations of our equity affiliate Dow Corning. At December 31, 2013, the increase in discount rates led to an actuarial after-tax gain of $392 million. Because this gain did not fall outside of the corridor, which is defined as equal to 10% of the greater of the benefit obligation or the market-related value of plan assets at the beginning of the year, the gain was recorded in AOCI and did not impact net income for the year ended December 31, 2013.

The increase in the loss on foreign currency translation adjustments for the year ended December 31, 2013 in the amount of $503 million was driven by the following items: 1) the increase in the loss in the translation of Corning's consolidated subsidiaries in the amount of $317 million, which resulted primarily from the depreciation of the Japanese yen to U.S. dollar translation rate during 2013; 2) the increase in the loss in the translation of Corning's equity method investments in the amount of $238 million, which is attributed to the change in the Korean won to U.S. dollar translation rate during 2013, which impacted our equity affiliate Samsung Corning Precision Materials; and 3) the absence of the 2012 reclassification of a gain to net income in the amount of $52 million related to the gain on the liquidation of a foreign subsidiary.

See Note 13 (Employee Retirement Plans) and Note 17 (Shareholders' Equity) for additional details.

Core Performance 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. For a reconciliation of non-GAAP performance measures and a further discussion of the measures, please see "Reconciliation of Non-GAAP Measures" below.

Results of Operations – Core Performance Measures

Selected highlights from our continuing operations follow (in millions):

				% change	
	2014	2013	2012	14 vs. 13	13 vs. 12
Core net sales	$ 10,217	$ 7,948	$ 7,605	29	5
Core equity in earnings of affiliated companies	$ 311	$ 595	$ 713	48	(17)
Core earnings attributable to Corning Incorporated	$ 2,185	$ 1,797	$ 1,595	22	13

Core Net Sales

Corning's core net sales in the year ended December 31, 2014 improved in all of our segments, increasing by $2,269 million to $10,217 million, when compared to the same period in 2013. Driving the growth in core net sales are the following items:

- Display Technologies increased by $1.7 billion, due to the consolidation of Corning Precision Materials, which increased sales by $1.9 billion, and an increase in volume that was slightly more than 10% in percentage terms, offset somewhat by price declines in the mid-teens;
- Optical Communications increased by $326 million, driven by an increase in sales of carrier network products in the amount of $254 million, largely due to growth in North America and Europe, up $113 million and $46 million, respectively, the impact of a full year of sales from a small acquisition and the consolidation of an investment due to a change in control that occurred at the end of the second quarter of 2013, which added $53 million, and an increase of $72 million in enterprise network products. These increases were offset slightly by a $52 million decrease in optical fiber sales in China;

- An increase of $173 million in the Environmental Technologies segment, due mainly to an increase in demand for our heavy duty diesel products, driven by new governmental regulations in Europe and China, and increased demand for Class 8 vehicles in North America. Automotive substrate sales were also strong, increasing 9%, on increased demand in Europe and China;
- Specialty Materials improved by $35 million, driven by an increase in sales of advanced optics products. Corning Gorilla Glass sales remained consistent with the prior year, with volume increases offset by an unfavorable shift in product mix and price declines; and
- Life Sciences increased by $11 million, driven by growth in North America and China, up $12 million and $5 million, respectively.

For the year ended December 31, 2013, core net sales increased by 5% when compared to the same period in 2012. Higher net core sales in the Display Technologies, Optical Communications and Life Sciences segments were offset slightly by declines in the Environmental Technologies and Specialty Materials segments. The change in core net sales was driven by the following events:

- In the Display Technologies segment, volume increases in the mid-twenties in percentage terms more than offset price declines in the mid-teens, which drove an increase in core sales of $173 million, or 7%;
- Optical Communications increased by $196 million, driven by an increase in sales of our carrier products in the amount of $163 million, largely due to the ramp-up of the fiber-to-the-premises initiative in Australia, which increased by $28 million, an increase of $23 million in sales of wireless products and higher sales of cable products in North America, China and Europe, up $52 million, $33 million and $26 million, respectively;
- An increase in the Life Sciences segment of $194 million, driven by the impact of the acquisition of the Discovery Labware business in the fourth quarter of 2012;
- In the Environmental Technologies segment, while automotive product sales remained relatively consistent with the prior year, core sales of our diesel products declined by 9%; and
- A decline of $176 million in the Specialty Materials segment, due to a 17% decline in Corning Gorilla Glass sales.

Core Equity in Earnings of Affiliated Companies

The following provides a summary of core equity in earnings of affiliated companies (in millions):

				% change	
	2014	2013	2012	14 vs. 13	13 vs. 12
Samsung Corning Precision Materials		$ 419	$ 549		(24)
Dow Corning*	$ 287	$ 145	$ 143	98	1
All other	$ 24	$ 31	$ 21	(23)	48
Total core equity earnings	**$ 311**	**$ 595**	**$ 713**	**(48)**	**(17)**

* In 2013 and 2012, we excluded the operating results of Dow Corning's consolidated subsidiary Hemlock Semiconductor, a producer of polycrystalline silicon, to remove the impact of the severe unpredictability and instability in the polysilicon market.

Core equity earnings of affiliated companies decreased in the twelve months ended December 31, 2014, when compared to the same period last year, reflecting the Acquisition and consolidation of Samsung Corning Precision Materials, offset somewhat by an increase in equity earnings from Dow Corning.

Dow Corning

The following table provides a summary of core equity earnings from Dow Corning, by component (in millions):

	Year ended December 31,		
	2014	2013	2012
Silicones	$ 197	$ 145	$ 143
Polysilicon (Hemlock Semiconductor Group)	90	31	25
Total Dow Corning	**$ 287**	**$ 176**	**$ 168**

The following table reconciles the non-GAAP financial measure of equity earnings from Dow Corning to its most directly comparable GAAP financial measure:

	2014	2013	2012
As reported	$ 252	$ 196	$ 90
Hemlock Semiconductor operating results(3)		(31)	(25)
Hemlock Semiconductor non-operating results(3)		(1)	77
Equity in earnings of affiliated companies(9)	35	(19)	1
Core Performance measures	**$ 287**	**$ 145**	**$ 143**

See Part 1, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, "Items which we exclude from GAAP measures to arrive at Core Performance measures" for the descriptions of the footnoted reconciling items.

2014 vs. 2013

Core equity earnings from Dow Corning increased in the twelve months ended December 31, 2014, when compared to the same period in 2013, driven by higher earnings in both the silicones and polysilicon segments. Driving the increase was a decrease in tax expense in the silicones segment and higher volume and improved manufacturing performance in the polysilicon segment.

2013 vs. 2012

Core equity earnings of affiliated companies declined by 17% in the year ended December 31, 2013, when compared to the same period in 2012. Equity earnings from Samsung Corning Precision Materials decreased by $130 million, or 24%, driven primarily by price declines in the mid-teens in percentage terms and higher taxes due to the expiration of tax holidays in the amount of $54 million. Slightly offsetting the decline were manufacturing improvements in the amount of $28 million. Core equity earnings from Dow Corning were relatively consistent in the twelve months ended December 31, 2013, when compared to the same period in 2012, with lower prices and weaker demand for silicone products in Europe and China and higher interest expense offset by a reduction in costs as a result of restructuring actions implemented in the fourth quarter of 2012.

Core Earnings

When compared to the same period last year, core earnings increased in the twelve months ended December 31, 2014 by $388 million, or 22%, driven by the following items (amounts presented after-tax):

- The impact of the consolidation of Corning Precision Materials and the resulting cost reductions and efficiencies gained through synergies;
- An increase in core equity earnings from Dow Corning, driven by a decrease in tax expense, improved manufacturing efficiency and an increase in volume;
- An increase of $57 million in the Environmental Technologies segment, driven by an increase in demand for our diesel products and improved manufacturing efficiency; and
- An increase of $35 million in the Optical Communications segment, driven by higher sales of carrier network and enterprise network products.

The increase in core earnings for the year ended December 31, 2014 was offset somewhat by price declines in the mid-teens in percentage terms outpacing an increase in volume slightly higher than 10% in our Display Technologies segment.

When compared to the same period last year, core earnings increased in the twelve months ended December 31, 2013 by $202 million, or 13%, driven by the following items:

- Higher core earnings in the Optical Communications, Life Sciences, Environmental Technologies and Display Technologies segments in the amounts of $59 million, $44 million, $11 million and $7 million, respectively; and
- Lower operating expenses in the amount of $49 million, driven by a decrease in variable compensation and cost control measures implemented by our segments.

Included in core earnings for the years ended December 31, 2014, 2013 and 2012 is net periodic pension expense in the amount of $74 million, $37 million and $63 million, respectively, which excludes the annual pension mark-to-market adjustments. In 2014, 2013 and 2012, the mark-to-market adjustments were a pre-tax loss in the amount of $29 million, a gain in the amount of $30 million and a loss in the amount of $217 million, respectively. Refer to Note 13 (Employee Retirement Plans) to the Consolidated Financial Statements for additional information.

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):

	2014	2013	2012
Core earnings attributable to Corning Incorporated	$ 2,185	$ 1,797	$ 1,595
Less: Series A convertible preferred stock dividend	94		
Core earnings available to common stockholders - basic	2,091	1,797	1,595
Add: Series A convertible preferred stock dividend	94		
Core earnings available to common stockholders - diluted	**$ 2,185**	**$ 1,797**	**$ 1,595**
Weighted-average common shares outstanding - basic	1,305	1,452	1,494
Effect of dilutive securities:			
Stock options and other dilutive securities	12	10	12
Series A convertible preferred stock	110		
Weighted-average common shares outstanding - diluted	**1,427**	**1,462**	**1,506**
Core basic earnings per common share	$ 1.60	$ 1.24	$ 1.07
Core diluted earnings per common share	$ 1.53	$ 1.23	$ 1.06

Reconciliation of Non-GAAP Measures

We utilize certain financial measures and key performance indicators that are not calculated in accordance with GAAP to assess our financial and operating performance. A non-GAAP financial measure is defined as a numerical measure of a company's financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the statement of income or statement of cash flows, or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the comparable measure as calculated and presented in accordance with GAAP in the statement of income or statement of cash flows.

Core net sales, core equity earnings of affiliated companies and core earnings are non-GAAP financial measures utilized by our management 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.

The following tables reconcile our non-GAAP financial measures to their most directly comparable GAAP financial measure.

	Year ended December 31, 2014					
	Net sales	**Equity earnings**	**Income before income taxes**	**Net income**	**Effective tax rate**	**Earnings 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
Core performance measures	**$ 10,217**	**$ 311**	**$ 2,625**	**$ 2,185**	**16.8%**	**$ 1.53**

	Year ended December 31, 2013					
(in millions)	**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
Certain litigation-related charges and credits(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		
Core performance measures	**$ 7,948**	**$ 595**	**$ 2,170**	**$ 1,797**	**17.2%**	**$ 1.23**

	Year ended December 31, 2012					
(in millions)	**Net sales**	**Equity earnings**	**Income before income taxes**	**Net income**	**Effective tax rate**	**Per share**
As reported	$ 8,012	$ 810	$ 1,975	$ 1,636	17.2%	$ 1.09
Constant-yen(1)	(407)	(167)	(434)	(353)		(0.23)
Other yen-related transactions(2)			(22)	(16)		(0.01)
Hemlock Semiconductor operating results(3)		(25)	(25)	(23)		(0.02)
Hemlock Semiconductor non-operating results(3)		77	77	72		0.05
Acquisition-related costs(4)			24	16		0.01
Discrete tax items and other tax-related adjustments(5)				41		0.03
Certain litigation-related charges and credits(6)			14	9		0.01
Restructuring, impairment and other charges(7)			133	91		0.06
Pension mark-to-market adjustment(11)			217	140		0.09
Equity in earnings of affiliated companies(9)		18	18	17		0.01
Loss on repurchase of debt(13)			26	17		0.01
Accumulated other comprehensive income(14)			(52)	(52)		(0.03)
Core performance measures	**$ 7,605**	**$ 713**	**$ 1,951**	**$ 1,595**	**18.2%**	**$ 1.06**

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 average rate forwards, 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 the tax effect of a transfer pricing 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. 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.

(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.

Reportable Segments

Our reportable segments are as follows:

- Display Technologies – manufactures glass substrates for flat panel liquid crystal displays.
- Optical Communications – manufactures carrier network and enterprise network components for the telecommunications industry.
- Environmental Technologies – manufactures ceramic substrates and filters for automotive and diesel applications.
- Specialty Materials – manufactures products that provide more than 150 material formulations for glass, glass ceramics and fluoride crystals to meet demand for unique customer needs.
- Life Sciences – manufactures glass and plastic labware, equipment, media and reagents to provide workflow solutions for scientific applications.

All other reportable segments that do not meet the quantitative threshold for separate reporting have been grouped as "All Other". This group is primarily comprised of development projects and results for new product lines.

We prepared the financial results for our segments on a basis that is consistent with the manner in which we internally disaggregate financial information to assist in making internal operating decisions. We included the earnings of equity affiliates that are closely associated with our reportable segments in the respective segment's net income. We have allocated certain common expenses among our reportable segments differently than we would for stand-alone financial information prepared in accordance with U.S. GAAP. The Display Technologies, Optical Communications, Environmental Technologies, Specialty Materials and Life Sciences segments include non-GAAP measures which are not prepared in accordance with 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 with how management evaluates our operational results and trends. These measures are not, and should not be viewed as a substitute for GAAP reporting measures. For a reconciliation of non-GAAP performance measures to the most directly comparable GAAP financial measure, please see "Reconciliation of non-GAAP Measures" below. Segment net income may not be consistent with measures used by other companies. The accounting policies of our reportable segments are the same as those applied in the consolidated financial statements.

Display Technologies

				% change	
As Reported *(in millions)*	**2014**	**2013**	**2012**	**14 vs. 13**	**13 vs. 12**
Net sales	$ 3,851	$ 2,545	$ 2,909	51	(13)
Equity earnings of affiliated companies	$ (20)	$ 357	$ 692	(106)	(48)
Net income	$ 1,369	$ 1,267	$ 1,589	8	(20)

				% change	
Core Performance *(in millions)*	**2014**	**2013**	**2012**	**14 vs. 13**	**13 vs. 12**
Net sales	$ 4,354	$ 2,674	$ 2,501	63	7
Equity earnings of affiliated companies	$ (10)	$ 420	$ 544	(102)	(23)
Net income	$ 1,390	$ 1,253	$ 1,246	11	1

The following table reconciles the non-GAAP financial measures for the Display Technologies segment with our financial statements presented in accordance with GAAP (in millions).

	Year ended December 31, 2014			Year ended December 31, 2013			Year ended December 31, 2012		
(in millions)	Sales	Equity earnings	Net income	Sales	Equity earnings	Net income	Sales	Equity earnings	Net income
As reported	$ 3,851	$ (20)	$ 1,369	$ 2,545	$ 357	$ 1,267	$ 2,909	$ 692	$ 1,589
Constant-yen(1)	502	3	316	129	35	99	(408)	(166)	(380)
Constant-won(1)			27						
Purchased collars and average forward contracts(2)			(290)			(90)			
Other yen-related transactions(2)						(67)			(15)
Acquisition-related costs(4)			37			8			
Discrete tax items(5)			4			10			
Restructuring, impairment, and other charges(7)			40			6			17
Equity in earnings of affiliated companies(9)		7	6		28	28		18	18
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(11)			2			(8)			17
Core performance	**$ 4,354**	**$ (10)**	**$ 1,390**	**$ 2,674**	**$ 420**	**$ 1,253**	**$ 2,501**	**$ 544**	**$ 1,246**

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, "Items which we exclude from GAAP measures to arrive at Core Performance measures" for an explanation of the reconciling items.

As Reported

2014 vs. 2013

When compared to the same period last year, the increase of $1,306 million in net sales in the year ended December 31, 2014, was due to the Acquisition of the remaining equity interests of our affiliate Samsung Corning Precision Materials, and the consolidation of this entity, which added $1.8 billion in net sales. This impact was somewhat offset by price declines in the mid-teens in percentage terms, which more than offset an increase in volume that was slightly more than 10% in percentage terms, and the depreciation of the Japanese yen versus the U.S. dollar, which adversely impacted net sales by $373 million.

Net income in the Display Technologies segment increased by $102 million, or 8%, in the year ended December 31, 2014, when compared to the same period last year. This increase was driven by the following items:

- The impact of the Acquisition of Corning Precision Materials and the resulting cost reductions gained through synergies;
- The fair value adjustment of the contingent consideration resulting from the Acquisition of Corning Precision Materials in the amount of $194 million; and
- Improvements in manufacturing efficiency of $46 million.

The increase in net income was partially offset by the following items:

- The impact of price declines in the mid-teens in percentage terms that more than offset the increase in volume;
- The absence of the $67 million gain from our yen-denominated cash flow hedging program;
- The increase in transaction and acquisition-related costs related to the Acquisition of Corning Precision Materials in the amounts of $73 million and $29 million, respectively; and
- An increase of $34 million in restructuring, impairment and other charges.

2013 vs. 2012

In 2013, net sales in the Display Technologies segment declined in the amount of $364 million when compared to 2012, primarily due to the impact of the depreciation of the Japanese yen versus the U.S. dollar in the amount of $537 million and price declines in the mid-teens in percentage terms, offset somewhat by an increase in volume in the mid-twenties. The increase in volume was driven by higher sales of larger-sized LCD televisions, defined as greater than 40 inches, which increased by nearly 100% in 2013, and higher sales in mobile computing products, including tablets and smart phones. Additionally, during the fourth quarter of 2013, we renewed the agreements with key customers that we had announced in the fourth quarter of 2012, which stabilize Corning's share at each of the customers and maintain a fixed relationship between Corning's pricing and competitive pricing at that customer.

When compared to 2012, the $335 million decrease in equity earnings from Samsung Corning Precision Materials in 2013 reflected the impact of the depreciation of the Japanese yen versus the U.S. dollar in the amount of $201 million and price declines in the mid-teens in percentage terms. Volume remained relatively consistent in 2013 when compared to the levels in 2012. Manufacturing improvements in the amount of $28 million were more than offset by higher taxes in the amount of $54 million, driven by the partial expiration of a Korean tax holiday and $28 million of asset write-offs and disposals.

When compared to 2012, the decrease in net income of $322 million in the Display Technologies segment in 2013 reflects the impact of the depreciation of the Japanese yen versus the U.S. dollar in the amount of $479 million and the impact of price declines in the mid-teens in percentage terms. These declines were partially offset by an increase in volume in the mid-twenties in percentage terms, the impact of gains realized on our purchased collars and average rate forwards in the amount of $90 million and cost reduction programs.

Core Performance

2014 vs. 2013

When compared to the same period last year, the increase in core net sales of $1,680 million, or 63%, in the year ended December 31, 2014, was due to the Acquisition of the remaining equity interests of our affiliate Corning Precision Materials, and the consolidation of this entity, which added $1.9 billion in net sales. This impact was somewhat offset by price declines in the mid-teens in percentage terms, which more than offset an increase in volume that was slightly more than 10% in percentage terms.

Core earnings in the Display Technologies segment increased by $137 million, or 11%, in the year ended December 31, 2014, when compared to the same period last year. The increase was driven by the positive impact of the Acquisition of Corning Precision Materials and the resulting cost reductions gained through synergies, coupled with improvements in manufacturing efficiency of $46 million, partially offset by the impact of price declines in the mid-teens in percentage terms that more than offset the increase in volume.

2013 vs. 2012

In 2013, our Display Technologies segment regained positive momentum, as demonstrated by the increase in core net sales of 7%, when compared to core net sales in 2012, which declined by 7% when compared to 2011. During 2013, volume improvements in the mid-twenties in percentage terms more than outpaced price declines in the mid-teens. The increase in volume was driven by higher sales of larger-sized LCD televisions, defined as greater than 40 inches, which increased by nearly 100% in 2013, and higher sales in mobile computing products, including tablets and smart phones. Additionally, during the fourth quarter of 2013, we renewed the agreements with key customers that we had announced in the fourth quarter of 2012, which stabilize Corning's share at each of the customers and maintain a fixed relationship between Corning's pricing and competitive pricing at that customer.

When compared to 2012, the decrease in core equity earnings from Samsung Corning Precision Materials in 2013 reflected relatively consistent volume and price declines in the mid-teens in percentage terms. Manufacturing improvements in the amount of $28 million were more than offset by higher taxes in the amount of $54 million, driven by the partial expiration of a Korean tax holiday.

When compared to 2012, the increase in core earnings in the Display Technologies segment in 2013 reflects an increase in volume in the mid-twenties in percentage terms and the impact of cost reduction programs, partially offset by price declines in the mid-teens in percentage terms and the impact of lower equity earnings.

Other Information

The Display Technologies segment has a concentrated customer base comprised of LCD panel and color filter makers primarily located in Japan, South Korea, China and Taiwan. In 2014, three customers of the Display Technologies segment, which individually accounted for more than 10% of segment net sales, accounted for a combined 61% of total segment sales. In 2013, four customers of the Display Technologies segment, which individually accounted for more than 10% of segment net sales, accounted for a combined 94% of total segment sales. In 2012, three customers of the Display Technologies segment, which individually accounted for more than 10% of segment net sales, accounted for a combined 63% of total segment sales. Our customers face the same global economic dynamics as we do in this market. Our near-term sales and profitability would be impacted if any of these significant customers were unable to continue to purchase our products.

In addition, prior to consolidation, Samsung Corning Precision Materials' sales were concentrated across a small number of its customers. In 2013 and 2012, sales to two LCD panel makers located in South Korea accounted for approximately 93% of Samsung Corning Precision Materials sales in each of those two years.

Corning has invested to expand capacity to meet the projected demand for LCD glass substrates. In 2014, 2013 and 2012, capital spending in this segment was approximately $400 million, $350 million and $850 million, respectively. We expect capital spending for 2015 to be approximately $650 million.

Outlook:

Corning anticipates another year of growth in the LCD glass market in 2015, with retail demand up high-single digits in percentage terms, as measured in square feet. We believe that supply chain inventory levels remain healthy and industry glass supply appears aligned with overall demand.

In the first quarter of 2015, Corning anticipates LCD glass volume in its Display Technologies segment will be consistent to down slightly on a sequential basis, following a very strong fourth quarter performance. This is in line with normal seasonality in the business. Quarterly glass price declines are expected to be moderate again.

The end market demand for LCD televisions, monitors and notebooks is dependent on consumer retail spending, among other factors. We are cautious about the potential negative impact that economic conditions, particularly a global economic recession, excess market capacity and world political tensions could have on consumer demand. While the LCD industry has grown, economic volatility along with consumer preferences for panels of differing sizes, prices, or other factors may lead to pauses in market growth. Therefore, it is possible that glass manufacturing capacity may exceed demand from time to time but we believe that we have sufficient manufacturing flexibility to adjust to fluctuations in demand. We may incur further charges in this segment to reduce our workforce and consolidate capacity. In addition, changes in foreign exchange rates, principally the Japanese yen, will continue to impact the sales and profitability of this segment. In order to mitigate this risk, Corning entered into a series of foreign exchange contracts to hedge our exposure to movements in the Japanese yen and its impact on our earnings.

Optical Communications

As Reported *(in millions)*	2014		2013		2012		% change 14 vs. 13	% change 13 vs. 12
Net sales:								
Carrier network	$	2,036	$	1,782	$	1,619	14	10
Enterprise network		616		544		511	13	6
Total net sales	$	2,652	$	2,326	$	2,130	14	9
Net income	$	205	$	199	$	146	3	36

Core Performance *(in millions)*	2014		2013		2012		% change 14 vs. 13	% change 13 vs. 12
Net sales:								
Carrier network	$	2,036	$	1,782	$	1,619	14	10
Enterprise network		616		544		511	13	6
Total net sales	$	2,652	$	2,326	$	2,130	14	9
Net income	$	231	$	196	$	137	18	43

The following table reconciles the non-GAAP financial measures for the Optical Communications segment with our financial statements presented in accordance with GAAP (in millions).

(in millions)	Year ended December 31, 2014 Sales	Year ended December 31, 2014 Net income	Year ended December 31, 2013 Sales	Year ended December 31, 2013 Net income	Year ended December 31, 2012 Sales	Year ended December 31, 2012 Net income
As reported	$ 2,652	$ 205	$ 2,326	$ 199	$ 2,130	$ 146
Acquisition-related costs(4)		(2)		9		1
Restructuring, impairment, and other charges(7)		17		8		31
Pension mark-to-market(11)		13		(9)		11
Gain on change in control(12)				(11)		
Accumulated other comprehensive income(14)						(52)
Liquidation of subsidiary(8)		(2)				
Core performance	**$ 2,652**	**$ 231**	**$ 2,326**	**$ 196**	**$ 2,130**	**$ 137**

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, "Items which we exclude from GAAP measures to arrive at Core Performance measures" for an explanation of the reconciling items.

As Reported

2014 vs. 2013

In the twelve months ended December 31, 2014, net sales of the Optical Communications segment increased by $326 million, or 14%, when compared to the same period in 2013, driven by a $254 million increase in sales of our carrier network products. Specifically, the following items impacted sales within the carrier network products group in the year ended December 31, 2014:

- Higher sales of cable and hardware and equipment products primarily used in fiber-to-the-home solutions in North America and Europe, up $113 million and $46 million, respectively;
- The impact of a full year of sales from a small acquisition and the consolidation of an investment due to a change in control which occurred at the end of the second quarter of 2013, which added approximately $53 million; and
- An increase of $11 million in sales of optical fiber, driven by higher sales in North America and Europe, partially offset by a decrease in China.

Sales of enterprise network products also increased in the twelve months ended December 31, 2014, up $72 million, when compared to the same period in 2013, due to strong sales in all regions of the world, led by an increase in sales of data center and LAN products in Europe and North America, up $21 million and $20 million, respectively, and an increase of $16 million in wireless products sales.

Net income increased by $6 million, or 3%, in 2014, when compared to 2013. The significant increase in volume for carrier network products in North America and Europe and an increase in worldwide enterprise network product volume were somewhat offset by price declines in fiber and cable products, $17 million of additional operating expenses driven by two small acquisitions and the absence of the inventory build we experienced in the first half of 2013. An increase in restructuring charges of $9 million, an increase of $22 million in the amount of the pension mark-to-market adjustment and the absence of the $11 million gain on change in control of an equity company that occurred in the second quarter of 2013 also negatively impacted the results of this segment.

2013 vs. 2012

In 2013, net sales of the Optical Communications segment increased when compared to 2012, driven by an increase of $163 million in the carrier network market. Driving the growth in carrier network products are the following items:

- The ramp-up of the fiber-to-the-premises initiative in Australia, which increased sales by $28 million;
- An increase of $23 million in sales of wireless products;
- Higher sales of cable products in North America, China and Europe, up $52 million, $33 million and $26 million, respectively;
- The impact of a small acquisition and the consolidation of an investment due to a change in control, which added approximately $53 million in 2013; and
- Offsetting the increase in sales of carrier network products in 2013 was a decline in sales of optical fiber, driven by lower demand for single-mode fiber in China, Europe and North America.

Sales in the enterprise network market increased by $33 million in the year ended 2013, when compared to 2012, driven by higher sales of data center products in North America.

The increase in net income in 2013 when compared to 2012 reflects an increase in volume in carrier and enterprise network products, improved manufacturing performance and the implementation of strong spending controls and cost reduction initiatives, combined with an increase of $20 million on the gain in 2013 versus a loss in 2012 on the mark-to-market of our defined benefit pension plans, a reduction of $23 million in restructuring charges and a gain of $11 million on the change in control of an equity company. This increase was somewhat offset by an increase in acquisition-related costs of $8 million and lower volume in optical fiber, lower price and a less favorable mix of products sales in 2013.

Movements in foreign exchange rates did not significantly impact the results of this segment in the years ended December 31, 2014 and 2013.

Core Performance

2014 vs. 2013

When compared to the same period last year, core earnings in the twelve months ended December 31, 2014 increased by $35 million, or 18%, when compared to 2013. The significant increase in volume for carrier network products in North America and Europe and an increase in worldwide enterprise network product volume were somewhat offset by price declines in fiber and cable products, $17 million of additional operating expenses driven by two small acquisitions and the absence of the inventory build we experienced in the first half of 2013.

2013 vs. 2012

The increase in core earnings in 2013 when compared to 2012 reflects an increase in volume in carrier and enterprise network products, improved manufacturing performance and the implementation of strong spending controls and cost reduction initiatives, offset by lower volume in optical fiber, lower price and a less favorable mix of products sales in 2013. Movements in foreign exchange rates did not significantly impact the results of this segment.

The Optical Communications segment has a concentrated customer base. In the years ended December 31, 2014, 2013 and 2012, one customer, which individually accounted for more than 10% of segment net sales, accounted for 11%, 10% and 12%, respectively, of total segment net sales.

Outlook:

Optical Communications segment sales in the first quarter of 2015 are expected to increase by more than 10 percent when compared to the first quarter of 2014, as the segment continues its strong overall performance.

Environmental Technologies

				% change	
As Reported *(in millions)*	**2014**	**2013**	**2012**	**14 vs. 13**	**13 vs. 12**
Net sales:					
Automotive	$ 528	$ 485	$ 486	9	
Diesel	564	434	478	30	(9)
Total net sales	$ 1,092	$ 919	$ 964	19	(5)
Net income	$ 182	$ 132	$ 112	38	18

				% change	
Core Performance *(in millions)*	**2014**	**2013**	**2012**	**14 vs. 13**	**13 vs. 12**
Net sales:					
Automotive	$ 528	$ 485	$ 486	9	
Diesel	564	434	478	30	(9)
Total net sales	$ 1,092	$ 919	$ 964	19	(5)
Net income	$ 187	$ 130	$ 119	44	9

The following table reconciles the non-GAAP financial measures for the Environmental Technologies segment with our financial statements presented in accordance with GAAP (in millions).

	Year ended December 31, 2014		Year ended December 31, 2013		Year ended December 31, 2012	
(in millions)	**Sales**	**Net income**	**Sales**	**Net income**	**Sales**	**Net income**
As reported	$ 1,092	$ 182	$ 919	$ 132	$ 964	$ 112
Restructuring, impairment, and other charges[7]				1		2
Pension mark-to-market[11]		5		(3)		5
Core performance	**$ 1,092**	**$ 187**	**$ 919**	**$ 130**	**$ 964**	**$ 119**

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, "Items which we exclude from GAAP measures to arrive at Core Performance measures" for an explanation of the reconciling items.

As Reported

2014 vs. 2013

In the twelve months ended December 31, 2014, net sales of this segment increased by $173 million, or 19%, when compared to the same period in 2013, driven by higher sales across all product lines. Driving the increase was higher demand for our heavy duty diesel products propelled by new governmental regulations in Europe and China and increased demand for Class 8 vehicles in North America. Sales of light-duty diesel products also improved due to higher volume in Europe. Automotive substrate product sales increased due to higher demand in Europe and China.

When compared to the same period last year, net income in the twelve months ended December 31, 2014 improved significantly, up $50 million, or 38%, driven by improvements in manufacturing efficiency and strong volume gains across both automotive and diesel product lines. Improving market conditions for heavy-duty diesel products in Europe, China and North America and higher European sales of light-duty diesel products, combined with an increase in automotive vehicle builds, drove the increase. Higher costs associated with facility expansion projects and an increase in the pension mark-to-market adjustment somewhat offset the increase in net income.

2013 vs. 2012

When compared to 2012, net sales in the Environmental Technologies segment decreased in 2013, due to lower sales of light-duty diesel filters and heavy-duty diesel products. Demand for light-duty diesel vehicles which use our filters declined due to weak economic conditions in Europe. Heavy-duty diesel product sales were lower due to the decline in the production of Class 8 vehicles in North America. Net sales of this segment in 2013 were not materially impacted by movements in foreign exchange rates when compared to 2012.

Although net sales declined in 2013 when compared to 2012, net income increased by 18%, driven by significantly improved manufacturing performance for our automotive and heavy-duty diesel products, and lower operating expenses. Net income also included an increase of $8 million due to the positive change in the mark-to-market of our defined benefit pension plans.

Movements in foreign exchange rates did not significantly impact the results of this segment in the years ended December 31, 2014 and 2013.

Core Performance

2014 vs. 2013

When compared to the same period last year, core earnings in the twelve months ended December 31, 2014 increased by $57 million, or 44%, driven by improvements in manufacturing efficiency and strong volume gains across both automotive and diesel product lines. Improving market conditions for heavy-duty diesel products in Europe, China and North America and higher European sales of light-duty diesel products, combined with an increase in automotive vehicle builds, drove the increase. Higher costs associated with facility expansion projects somewhat offset the increase in net income

2013 vs. 2012

Although net sales declined in 2013 when compared to 2012, core earnings increased by 9%, driven by significantly improved manufacturing performance for our automotive and heavy-duty diesel products, and lower operating expenses.

The Environmental Technologies segment sells to a concentrated customer base of catalyzer and emission control systems manufacturers, who then sell to automotive and diesel engine manufacturers. Although our sales are to the emission control systems manufacturers, the use of our substrates and filters is generally required by the specifications of the automotive and diesel vehicle or engine manufacturers. For 2014, 2013, and 2012, net sales to three customers, which individually accounted for more than 10% of segment sales, accounted for 88%, 87% and 86%, respectively, of total segment sales. While we are not aware of any significant customer credit issues with our direct customers, our near-term sales and profitability would be impacted if any individual customers were unable to continue to purchase our products.

Outlook:

We anticipate that Environmental Technologies sales in the first quarter of 2015 will be consistent when compared to the first quarter of 2014.

Specialty Materials

As Reported *(in millions)*	2014	2013	2012	% change 14 vs. 13	% change 13 vs. 12
Net sales	$ 1,205	$ 1,170	$ 1,346	3	(13)
Net income	$ 144	$ 187	$ 137	(23)	36

Core Performance *(in millions)*	2014	2013	2012	% change 14 vs. 13	% change 13 vs. 12
Net sales	$ 1,205	$ 1,170	$ 1,346	3	(13)
Net income	$ 162	$ 196	$ 201	(17)	(2)

The following table reconciles the non-GAAP financial measures for the Specialty Materials segment with our financial statements presented in accordance with GAAP (in millions).

(in millions)	Year ended December 31, 2014 Sales	Year ended December 31, 2014 Net income	Year ended December 31, 2013 Sales	Year ended December 31, 2013 Net income	Year ended December 31, 2012 Sales	Year ended December 31, 2012 Net income
As reported	$ 1,205	$ 144	$ 1,170	$ 187	$ 1,346	$ 137
Constant-yen[(1)]		(7)		(2)		25
Purchased collars and average forward contracts[(2)]		14				
Acquisition-related costs[(4)]		(1)		1		
Restructuring, impairment, and other charges[(7)]		12		12		33
Pension mark-to-market[(11)]				(2)		6
Core performance	**$ 1,205**	**$ 162**	**$ 1,170**	**$ 196**	**$ 1,346**	**$ 201**

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, "Items which we exclude from GAAP measures to arrive at Core Performance measures" for an explanation of the reconciling items.

As Reported

2014 vs. 2013

The Specialty Materials segment manufactures products that provide more than 150 material formulations for glass, glass ceramics and fluoride crystals to meet demand for unique customer needs. Consequently, this segment operates in a wide variety of commercial and industrial markets that include display optics and components, semiconductor optics components, aerospace and defense, astronomy, ophthalmic products, telecommunications components and a protective cover glass that is optimized for portable display devices.

Net sales for the twelve months ended December 31, 2014 in the Specialty Materials segment increased by $35 million, or 3%, when compared to the same period in 2013, driven by higher sales of our advanced optics and commercial optics products. Although Corning Gorilla Glass volume increased by 23%, net sales remained consistent with the prior year, driven by an unfavorable shift in product mix and price declines. Additionally, although volume increased in 2014 when compared to 2013, the growth did not meet our expectations due to the flat market for tablets.

When compared to the same period last year, the decrease in net income for the twelve months ended December 31, 2014 was driven by the absence of the inventory build we experienced in the first half of 2013, the write-off a trade receivable balance in the amount of $8 million and price declines for Corning Gorilla Glass. Partially offsetting the decrease was an increase in volume for both Corning Gorilla Glass and advanced optics products and the impact of costs reductions as a result of restructuring actions.

2013 vs. 2012

Net sales for the year ended December 31, 2013 decreased in the Specialty Materials segment when compared to 2012, due to a 17% decline in sales of Corning Gorilla Glass. Although retail demand for products using our Corning Gorilla Glass has increased in 2013, supply chain variability, during which we experienced robust sales of this glass in the latter half of 2012, resulted in a supply chain contraction throughout 2013. Advanced optics products sales increased slightly in the year ended December 31, 2013, driven by the beginning of a business recovery.

Although net sales declined by 13% in the year ended December 31, 2013, net income increased by 36%, when compared to 2012, due to strong cost controls, lower restructuring charges, manufacturing cost reduction initiatives and the beginning of the advanced optics products business recovery, which partially offset the lower sales of Corning Gorilla Glass. The depreciation of the Japanese yen versus the U.S. dollar positively impacted net income by approximately $27 million in the year ended December 31, 2013, when compared to the same period in the prior year.

Movements in foreign exchange rates did not significantly impact the results of this segment in the years ended December 31, 2014 and 2013.

Core Performance

2014 vs. 2013

When compared to the same period last year, the decrease in core earnings in the twelve months ended December 31, 2014 was driven by the absence of the inventory build we experienced in the first half of 2013, price declines for Corning Gorilla Glass and higher production costs. Partially offsetting the decrease was an increase in volume for both Corning Gorilla Glass and advanced optics products and the impact of costs reductions as a result of restructuring actions.

2013 vs. 2012

Although core net sales declined by 13% in the year ended December 31, 2013, core earnings decreased by only 2%, when compared to 2012, due to strong cost controls, manufacturing cost reduction initiatives and the beginning of the advanced optics products business recovery, which partially offset the lower sales of Corning Gorilla Glass.

For 2014 and 2013, three customers of the Specialty Materials segment, which individually accounted for more than 10% of segment sales, accounted for 51% and 47%, respectively, of total segment sales. For 2012, two customers of the Specialty Materials segment, which individually accounted for more than 10% of segment sales, accounted for 54% of total segment sales.

Outlook:

In the first quarter of 2015, Specialty Materials segment sales are expected to increase by approximately 10% when compared to the first quarter of 2014, as a result of increased Gorilla Glass demand for products launched in the third and fourth quarters of 2014.

Life Sciences

As Reported *(in millions)*	**2014**	**2013**	**2012**	**% change 14 vs. 13**	**% change 13 vs. 12**
Net sales	$ 862	$ 851	$ 657	1	30
Net income	$ 71	$ 71	$ 28		154

Core Performance *(in millions)*	**2014**	**2013**	**2012**	**% change 14 vs. 13**	**% change 13 vs. 12**
Net sales	$ 862	$ 851	$ 657	1	30
Net income	$ 87	$ 92	$ 48	(5)	92

The following table reconciles the non-GAAP financial measures for the Life Sciences segment with our financial statements presented in accordance with GAAP (in millions).

	Year ended December 31, 2014		**Year ended December 31, 2013**		**Year ended December 31, 2012**	
(in millions)	**Sales**	**Net income**	**Sales**	**Net income**	**Sales**	**Net income**
As reported	$ 862	$ 71	$ 851	$ 71	$ 657	$ 28
Acquisition-related costs[(4)]		14		21		15
Restructuring, impairment, and other charges[(7)]		2		3		1
Pension mark-to-market[(11)]				(3)		4
Core performance	**$ 862**	**$ 87**	**$ 851**	**$ 92**	**$ 657**	**$ 48**

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, "Items which we exclude from GAAP measures to arrive at Core Performance measures" for an explanation of the reconciling items.

As Reported

2014 vs. 2013

Net sales for the year ended December 31, 2014 increased by $11 million when compared to the same period in the prior year. Higher sales in North America and China, up $12 million and $5 million, respectively, were offset slightly by lower sales in Australia. Net income remained consistent when compared to the same period in 2013, driven by less favorable product mix and higher operating expenses which were offset by higher volume and lower acquisition-related costs due to the completion of the integration of Discovery Labware business.

2013 vs. 2012

Net sales for the year ended December 31, 2013 increased when compared to the same period last year, due to the impact of the acquisition of the Discovery Labware business completed in the fourth quarter of 2012, which increased net sales by $192 million. Net sales of the segment's existing lines remained relatively consistent.

When compared to the same period in 2012, net income in the year ended December 31, 2013 increased substantially, driven by a $38 million improvement attributable to the impact of the Discovery Labware acquisition and the positive impact of $7 million on the change in the mark-to-market of our defined benefit pension plans. Offsetting the gains from Discovery Labware and the pension mark-to-market were an increase in acquisition-related costs of $6 million and higher restructuring charges.

Movements in foreign exchange rates did not significantly impact the results of this segment in the years ended December 31, 2014 and 2013.

Core Performance

2014 vs. 2013

Core earnings decreased slightly when compared to the same period in 2013, driven by less favorable product mix, offset somewhat by higher volume.

2013 vs. 2012

When compared to the same period in 2012, core earnings in the year ended December 31, 2013 increased substantially, driven by the impact of the Discovery Labware acquisition in the amount of $38 million. Movements in foreign exchange rates did not significantly impact the results of this segment in the year ended December 31, 2013.

For 2014, 2013 and 2012, two customers in the Life Sciences segment, which individually accounted for more than 10% of total segment net sales, collectively accounted for 45%, 44% and 38%, respectively, of total segment sales.

Outlook:

Sales in the Life Sciences segment are expected to remain relatively consistent in the first quarter of 2015, when compared to the same period in 2014.

All Other

As Reported *(in millions)*	**2014**		**2013**		**2012**		**% change** 14 vs. 13	**% change** 13 vs. 12
Net sales	$	53	$	8	$	6	563	33
Research, development and engineering expenses	$	177	$	116	$	123	53	(6)
Equity earnings of affiliated companies	$	18	$	(24)	$	17	*	*
Net loss	$	(196)	$	(163)	$	(98)	20	66

* Percent change not meaningful

Core Performance *(in millions)*	**2014**		**2013**		**2012**		**% change** 14 vs. 13	**% change** 13 vs. 12
Net sales	$	53	$	8	$	6	563	33
Research, development and engineering expenses	$	177	$	116	$	123	53	(6)
Equity earnings of affiliated companies	$	18	$	12	$	17	50	(29)
Net loss	$	(193)	$	(122)	$	(98)	58	24

The following table reconciles the non-GAAP financial measures for the All Other segment with our financial statements presented in accordance with GAAP (in millions).

	Year ended December 31, 2014						**Year ended December 31, 2013**					
(in millions)	**Sales**		**Equity earnings**		**Net income**		**Sales**		**Equity earnings**		**Net income**	
As reported	$	53	$	18	$	(196)	$	8	$	(24)	$	(163)
Purchased collars and average forward contracts[(2)]						2						
Restructuring, impairment, and other charges[(7)]												
Pension mark-to-market[(11)]						1				36		41
Core performance	**$**	**53**	**$**	**18**	**$**	**(193)**	**$**	**8**	**$**	**12**	**$**	**(122)**

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations – Core Performance Measures, "Items which we exclude from GAAP measures to arrive at Core Performance measures" for an explanation of the reconciling items.

All other segments that do not meet the quantitative threshold for separate reporting have been grouped as "All Other." This group is primarily comprised of the results of Corning Precision Materials' non-LCD business and new product lines and development projects that involve the use of various technologies for new products such as advanced flow reactors and adjacency businesses in pursuit of thin, strong glass. This segment also includes results for certain corporate investments such as Eurokera and Keraglass equity affiliates, which manufacture smooth cooktop glass/ceramic products.

2014 vs. 2013

The increase in net sales of this segment in the year ended December 31, 2014 reflects the consolidation of the Corning Precision Materials' non-LCD business as a result of the Acquisition. The increase in the net loss of this segment reflects higher spending for development projects which were not part of the segment in the year ended December 31, 2013.

2013 vs. 2012

The increase in segment net loss in 2013 when compared to 2012 was driven by the write-down of assets to their fair value in the amount of $36 million in Samsung Corning Precision Materials' non-LCD glass business, the absence of the 2012 gain on the sale of assets in Samsung Corning Precision Materials' non-LCD glass business, and restructuring costs of $5 million associated with our global restructuring program implemented in the fourth quarter of 2013, partially offset by lower research, development and engineering expenses on development projects. The increase in core net loss in 2013 reflects the absence of the 2012 gain on the sale of assets in Samsung Corning Precision Materials' non-LCD glass business and a decline in research, development and engineering expenses for development projects.

Liquidity and Capital Resources

Financing and Capital Structure

The following items impacted Corning's financing and capital structure during 2014 and 2013:

2014

- In the third quarter of 2014, we amended and restated our existing revolving credit facility. The amended facility provides a $2 billion unsecured multi-currency line of credit and expires on September 30, 2019. At December 31, 2014, there were no outstanding amounts under this credit facility. The facility includes affirmative and negative covenants that Corning must comply with, including a leverage (debt to capital ratio) financial covenant. As of December 31, 2014, we were in compliance with all of the covenants.

2013

- In the first quarter of 2013, we amended and restated our then-existing revolving credit facility. The 2013 amended facility provided a $1 billion unsecured multi-currency line of credit that would have expired in March 2018. This facility was terminated when we entered into the amended and restated $2 billion facility in the third quarter of 2014.
- In the first quarter of 2013, Corning repaid the aggregate principal amount and accrued interest outstanding on the credit facility entered into in the second quarter of 2011 that allowed Corning to borrow up to Chinese renminbi (RMB) 4 billion. The total amount repaid was approximately $500 million. Upon repayment, this facility was terminated.
- In the second quarter of 2013, the Company established a commercial paper program on a private placement basis, pursuant to which we may issue short-term, unsecured commercial paper notes up to a maximum aggregate principal amount outstanding at any time of $1 billion. Under this program, the Company may issue the notes from time to time and will use the proceeds for general corporate purposes. The maturities of the notes will vary, but may not exceed 390 days from the date of issue. The interest rates will vary based on market conditions and the ratings assigned to the notes by credit rating agencies at the time of issuance. The Company's revolving credit facility is available to support obligations under the commercial paper program, if needed. At December 31, 2013, we did not have any outstanding commercial paper.
- In the fourth quarter of 2013, we issued $250 million of 3.70% senior unsecured notes that mature on November 15, 2023. The net proceeds of approximately $248 million were used for general corporate purposes.
- In the fourth quarter of 2013, we recorded a financing obligation in the approximate amount of $230 million for a new LCD glass substrate facility in China.

Common Stock Dividends

On December 3, 2014, Corning's Board of Directors declared a 20% increase in the quarterly common stock dividend, which increased the quarterly dividend from $0.10 to $0.12 per common share, beginning with the dividend to be paid in the first quarter of 2015. This increase marks the fourth dividend increase since October 2011.

Fixed Rate Cumulative Convertible Preferred Stock, Series A

On January 15, 2014, Corning designated a new series of its preferred stock as Fixed Rate Cumulative Convertible Preferred Stock, Series A, par value $100 per share, and issued 1,900 shares of Preferred Stock at an issue price of $1 million per share, for an aggregate issue price of $1.9 billion, to Samsung Display in connection with the Acquisition of its equity interests in Samsung Corning Precision Materials. Corning also issued to Samsung Display an additional 400 shares of Fixed Rate Cumulative Convertible Preferred Stock at closing, for an aggregate issue price of $400 million in cash.

Dividends on the Preferred Stock are cumulative and accrue at the annual rate of 4.25% on the per share issue price of $1 million. The dividends are payable quarterly as and when declared by the Company's Board of Directors. The Preferred Stock ranks senior to our common stock with respect to payment of dividends and rights upon liquidation. The Preferred Stock is not redeemable except in the case of a certain deemed liquidation event, the occurrence of which is under the control of the Company. The Preferred Stock is convertible at the option of the holder and the Company upon certain events, at a conversion rate of 50,000 shares of Corning's common stock per one share of Preferred Stock, subject to certain anti-dilution provisions. As of December 31, 2014, the Preferred Stock has not been converted, and none of the anti-dilution provisions have been triggered. Following the seventh anniversary of the closing of the Acquisition, the Preferred Stock will be convertible, in whole or in part, at the option of the holder. The Company has the right, at its option, to cause some or all of the shares of Preferred Stock to be converted into Common Stock, if, for 25 trading days (whether or not consecutive) within any period of 40 consecutive trading days, the closing price of Common Stock exceeds $35 per share. If the aforementioned right becomes exercisable before the seventh anniversary of the closing, the Company must first obtain the written approval of the holders of a majority of the Preferred Stock before exercising its conversion right. The Preferred Stock does not have any voting rights except as may be required by law.

Capital Spending

Capital spending totaled $1.1 billion in 2014, slightly above the amount spent in 2013. Spending in 2014 was driven primarily by the Display Technologies segment, and focused on finishing line optimization and tank rebuilds. We expect our 2015 capital expenditures to be approximately $1.3 billion to $1.4 billion. Approximately $650 million will be allocated to our Display Technologies segment.

Cash Flows

Summary of cash flow data (in millions):

	Years ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	$ 4,709	$ 2,787	$ 3,206
Net cash used in investing activities	$ (962)	$ (1,004)	$ (2,628)
Net cash used in financing activities	$ (2,586)	$ (2,063)	$ (115)

2014 vs. 2013

Net cash provided by operating activities increased significantly in the year ended December 31, 2014, when compared to the same period last year, due to a dividend of approximately $1.6 billion received from Samsung Corning Precision Materials, an increase in net income of $511 million and the cash inflows from inventory movements. Although net inventory increased by $52 million due to the Acquisition, which added $121 million, this inventory was acquired through the issuance of preferred stock. Cash outflows for inventory declined by $120 million in the base Display Technologies and Specialty Materials segments in 2014 when compared to 2013, offset somewhat by an increase of approximately $50 million, driven by spending for new business development, and increases in the Optical Communications and Life Sciences segments.

Net cash used in investing activities decreased slightly in the year ended December 31, 2014, when compared to the same period last year, driven by a decrease in investments in unconsolidated entities, the realized gains on our yen-denominated purchased collars and the absence of the premium paid for our yen-denominated purchased collars in 2013, offset by an increase in short-term investments.

Net cash used in financing activities in the year ended December 31, 2014 increased when compared to the same period last year, driven by our share repurchase programs and the absence of the proceeds received in 2013 from the issuance of long-term debt, somewhat offset by cash received from the issuance of preferred stock and the absence of the retirement of long-term debt in the first quarter of 2013.

2013 vs. 2012

Net cash provided by operating activities decreased in the year ended December 31, 2013, when compared to the same period last year, largely due to a decrease in dividends received from affiliated companies and the unfavorable impact of changes in working capital, driven by the following items:

- Higher incentive compensation payments of approximately $100 million, driven by the pay-out of the initial year of the executive cash-based performance plan and an increase in performance-driven incentives;
- An increase in foreign tax payments in the amount of $114 million, driven by higher withholding tax in Taiwan; and
- An increase in fiber and cable inventory in the Optical Communications segment in the amount of $111 million, due to a decline in sales in China, Europe and North America.

A decline in accounts receivable in the Display Technologies, Optical Communications and Specialty Materials segments somewhat offset these unfavorable impacts.

Net cash used in investing activities declined in 2013, when compared to 2012, due to a decrease in capital spending, lower business acquisition spending and the liquidation of short-term investments, offset by the premium related to our purchased collars.

Net cash used in financing activities increased in 2013 when compared to the same period last year, driven primarily by the absence of the issuance of long-term debt in the first quarter of 2012, higher share repurchases, the retirement of long-term debt in the first quarter of 2013, and higher dividend payments.

Defined Benefit Pension Plans

We have defined benefit pension plans covering certain domestic and international employees. Our largest single pension plan is Corning's U.S. qualified plan. At December 31, 2014, this plan accounted for 77% of our consolidated defined benefit pension plans' projected benefit obligation and 86% of the related plans' assets.

We have historically contributed to the U.S. qualified pension plan on an annual basis in excess of the IRS minimum requirements. In 2014, we made voluntary cash contributions of $85 million to our domestic defined benefit pension plan and $45 million to our international pension plans. In 2013, we did not contribute to our domestic defined benefit pension plan and contributed $5 million to our international pension plans. In 2012, we made voluntary cash contributions of $75 million to our domestic defined benefit pension plan and $30 million to our international pension plans. Although we will not be subject to any mandatory contributions in 2015, we anticipate making voluntary cash contributions of up to $65 million to our U.S. pension plan and up to $28 million to our international pension plans in 2015.

Refer to Note 13 (Employee Retirement Plans) to the Consolidated Financial Statements for additional information.

Restructuring

For the year ended December 31, 2014, we recorded charges of $71 million for workforce reductions, asset disposals and write-offs, and exit costs for restructuring activities with total cash expenditures estimated to be $51 million.

In the fourth quarter of 2013, Corning implemented a global restructuring plan within several of our segments, consisting of workforce reductions, asset disposals and write-offs, and exit costs. We recorded charges of $67 million associated with these actions, with total cash expenditures expected to be approximately $40 million.

In 2012, we recorded a charge of $89 million associated with a corporate-wide restructuring plan to reduce our global workforce in response to anticipated lower sales in 2013. The charge included costs for workforce reductions, asset disposals and write-offs, and exit costs. Total cash expenditures associated with these actions are expected to be approximately $49 million primarily related to termination benefits, and were largely finalized in 2013.

During 2014, 2013 and 2012, we made payments of $39 million, $35 million and $15 million, respectively, related to employee severance and other exit costs resulting from restructuring actions. Refer to Note 2 (Restructuring, Impairment and Other Charges) to the Consolidated Financial Statements for additional information.

Key Balance Sheet Data

Balance sheet and working capital measures are provided in the following table (in millions):

	December 31,	
	2014	**2013**
Working capital	$ 7,914	$ 7,145
Current ratio	4.4:1	5.1:1
Trade accounts receivable, net of allowances	$ 1,501	$ 1,253
Days sales outstanding	56	58
Inventories	$ 1,322	$ 1,270
Inventory turns	4.2	3.6
Days payable outstanding[(1)]	41	47
Long-term debt	$ 3,227	$ 3,272
Total debt to total capital	13%	13%

(1) Includes trade payables only.

Credit Ratings

As of February 13, 2015, our credit ratings were as follows:

Rating Agency	Rating long-term debt	Outlook last update
Fitch	A-	Stable
		May 17, 2011
Standard & Poor's	A-	Stable
		December 16, 2013
Moody's	A3	Stable
		September 12, 2011

Management Assessment of Liquidity

We ended the fourth quarter of 2014 with approximately $6.1 billion of cash, cash equivalents and short-term investments. The Company has adequate sources of liquidity and we are confident in our ability to generate cash to meet existing or reasonably likely future cash requirements. Our cash, cash equivalents, and short-term investments are held in various locations throughout the world and are generally unrestricted. Although approximately 68% of the consolidated amount was held outside of the U.S. at December 31, 2014, we have sufficient U.S. liquidity, including borrowing capacity, to fund foreseeable U.S. cash needs without requiring the repatriation of foreign cash. We utilize a variety of tax effective financing strategies to ensure that our worldwide cash is available in the locations in which it is needed.

From time to time, we may issue debt, the proceeds of which may be used for general corporate purposes or to refinance certain debt maturities. Additionally, to manage interest rate exposure, the Company, from time to time, enters into interest rate swap agreements. In the fourth quarter of 2014, the Company entered into interest rate swap agreements to hedge against the variability in cash flows due to changes in the benchmark interest rate related to an anticipated issuance. The instruments were designated as cash flow hedges.

On June 24, 2013, the Company established a commercial paper program on a private placement basis, pursuant to which we may issue short-term, unsecured commercial paper notes up to a maximum aggregate principal amount outstanding at any time of $1 billion. Under this program, the Company may issue the notes from time to time and will use the proceeds for general corporate purposes. The maturities of the notes will vary, but may not exceed 390 days from the date of issue. The interest rates will vary based on market conditions and the ratings assigned to the notes by credit rating agencies at the time of issuance. The Company's revolving credit facility is available to support obligations under the commercial paper program, if needed. At December 31, 2014, we did not have any outstanding commercial paper under this program.

Share Repurchase Programs

On October 31, 2013, as part of the share repurchase program announced on April 24, 2013 (the "2013 Repurchase Program"), Corning entered into an accelerated share repurchase ("ASR") agreement with JP Morgan Chase Bank, National Association, London Branch ("JPMC"). Under the ASR agreement with JPMC, Corning agreed to purchase $1 billion of its common stock, in total, with an initial delivery by JPMC of 47.1 million shares based on the current market price, and payment of $1 billion made by Corning to JPMC. The payment to JPMC was recorded as a reduction to shareholders' equity, consisting of an $800 million increase in treasury stock, which reflects the value of the initial 47.1 million shares received upon execution, and a $200 million decrease in other-paid-in capital, which reflects the value of the stock held back by JPMC pending final settlement. On January 28, 2014, the ASR agreement with JPMC was completed. Corning received an additional 10.5 million shares on January 31, 2014 to settle the ASR agreement. In total, Corning purchased 57.6 million shares based on the average daily volume weighted-average price of Corning's common stock during the term of the ASR agreement with JPMC, less a discount.

In addition to the shares repurchased through the ASR agreement, we repurchased 61.3 million shares of common stock on the open market for approximately $1.0 billion, as part of the 2013 Repurchase Program. This program was executed between the second quarter of 2013 and the first quarter of 2014, with a total of 118.9 million shares repurchased for approximately $2 billion.

On March 4, 2014, as part of the $2 billion share repurchase program announced on October 22, 2013 and made effective concurrent with the closing of Corning's Acquisition of Samsung Corning Precision Materials on January 15, 2014 (the "2014 Repurchase Program"), Corning entered into an ASR agreement with Citibank N.A. ("Citi"). Under the ASR agreement with Citi, Corning agreed to purchase $1.25 billion of its common stock, with an initial delivery by Citi of 52.5 million shares based on the current market price, and payment of $1.25 billion made by Corning to Citi. On May 28, 2014, the ASR agreement with Citi was completed, and Corning received an additional 8.7 million shares to settle the ASR agreement. In total, Corning repurchased 61.2 million shares based on the average daily volume weighted-average price of Corning's common stock during the term of the ASR agreement with Citi, less a discount.

In addition to the shares repurchased through the ASR agreement, in the year ended December 31, 2014, we repurchased 36.9 million shares of common stock on the open market for approximately $750 million, as part of the 2014 Repurchase Program. This program was completed in the fourth quarter of 2014, with a total of 98.2 million shares repurchased for approximately $2 billion.

On December 3, 2014, Corning's Board of Directors authorized the repurchase of up to $1.5 billion shares of common stock between the date of announcement and December 31, 2016. No shares were repurchased under this program between the date of authorization and December 31, 2014.

Other

We complete comprehensive reviews of our significant customers and their creditworthiness by analyzing their financial strength at least annually or more frequently for customers where we have identified a measure of increased risk. We closely monitor payments and developments which may signal possible customer credit issues. We currently have not identified any potential material impact on our liquidity resulting from customer credit issues.

Our major source of funding for 2015 and beyond will be our operating cash flow and our existing balances of cash, cash equivalents, short-term investments and proceeds from any issuances of debt. We believe we have sufficient liquidity for the next several years to fund operations, share repurchase programs, acquisitions, the asbestos litigation, research and development, capital expenditures, scheduled debt repayments and dividend payments.

Corning also has access to a $2 billion unsecured committed revolving credit facility. This credit facility includes a leverage ratio financial covenant. The required leverage ratio, which measures debt to total capital, is a maximum of 50%. At December 31, 2014, our leverage using this measure was 13% and we are in compliance with the financial covenant.

Our debt instruments contain customary event of default provisions, which allow the lenders the option of accelerating all obligations upon the occurrence of certain events. In addition, some of our debt instruments contain a cross default provision, whereby an uncured default in excess of a specified amount on one debt obligation of the Company, also would be considered a default under the terms of another debt instrument. As of December 31, 2014, we were in compliance with all such provisions.

Management is not aware of any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in a material increase or decrease in our liquidity. In addition, other than items discussed, there are no known material trends, favorable or unfavorable, in our capital resources and no expected material changes in the mix and relative cost of such resources.

Purchased Collars and Average Rate Forwards

In the first quarter of 2013, Corning executed a series of purchased collars that expire quarterly across a two-year period to hedge its translation exposure resulting from movements in the Japanese yen against the U.S. dollar. These derivatives are not designated as accounting hedges and changes in fair value are recorded in other income immediately. The fair value of these derivative contracts are recorded as either assets (gain position) or liabilities (loss position) on the Consolidated Balance Sheet.

Beginning in the second quarter of 2013 and continuing throughout 2014, Corning entered into a series of average rate forwards with no associated premium, which hedge the translation impact of Japanese yen on Corning's projected 2015 net income and a significant portion of Corning's projected 2016 and 2017 net income. Like the purchased collars, these contracts settle quarterly, and are not designated as accounting hedges. In the years ended December 31, 2014 and 2013, we recorded pre-tax net gains of $1,406 million and $435 million, respectively, related to changes in the fair value of the purchased collars and average rate forward contracts, offset slightly by premium expense. Included in these amounts are realized gains of $344 million and $110 million, respectively, for the years ended December 31, 2014 and 2013. The gross notional value outstanding for purchase collars and average rate forwards which hedge our exposure to the Japanese yen at December 31, 2014 and 2013 was $9.8 billion and $6.8 billion, respectively.

In the second quarter of 2014, following the Acquisition, we entered into a portfolio of zero cost collars to hedge our translation exposure resulting from movements in the Korean won and its impact on our net earnings. These zero cost collars have a gross notional value outstanding at December 31, 2014 of $2.3 billion, and began settling quarterly in the third quarter of 2014 and will conclude at the end of 2015. In the year ended December 31, 2014, we recorded a pre-tax net loss of $37 million related to changes in the fair value of these zero cost collars, which included $6 million in realized losses.

Gains and losses related to purchased collars and average rate forwards are recorded in earnings in the Other income, net line of the Consolidated Statements of Income.

Off Balance Sheet Arrangements

Off balance sheet arrangements are transactions, agreements, or other contractual arrangements with an unconsolidated entity for which Corning has an obligation to the entity that is not recorded in our consolidated financial statements.

Corning's off balance sheet arrangements include guarantee contracts. At the time a guarantee is issued, the Company is required to recognize a liability for the fair value or market value of the obligation it assumes. In the normal course of our business, we do not routinely provide significant third-party guarantees. Generally, third-party guarantees provided by Corning are limited to certain financial guarantees, including stand-by letters of credit and performance bonds, and the incurrence of contingent liabilities in the form of purchase price adjustments related to attainment of milestones. These guarantees have various terms, and none of these guarantees are individually significant.

Refer to Note 14 (Commitments, Contingencies, and Guarantees) to the Consolidated Financial Statements for additional information.

For variable interest entities, we assess the terms of our interest in each entity to determine if we are the primary beneficiary. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, as a result of holding variable interests, which are the ownership, contractual, or other pecuniary interests in an entity that change with changes in the fair value of the entity's net assets excluding variable interests.

Corning has identified one entity that qualifies as a variable interest entity. This entity is not considered to be significant to Corning's consolidated statements of position.

Corning does not have retained interests in assets transferred to an unconsolidated entity that serve as credit, liquidity or market risk support to that entity.

Contractual Obligations

The amounts of our obligations follow (in millions):

		Amount of commitment and contingency expiration per period			
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**5 years and thereafter**
Performance bonds and guarantees	$ 75	$ 21	$ 3	$ 1	$ 50
Stand-by letters of credit(1)	61	57			4
Loan guarantees	14				14
Subtotal of commitment expirations per period	$ 150	$ 78	$ 3	$ 1	$ 68
Purchase obligations(6)	$ 287	$ 152	$ 105	$ 15	$ 15
Capital expenditure obligations(2)	358	358			
Total debt(3)	2,899	29	314	250	2,306
Interest on long-term debt(4)	2,451	151	293	274	1,733
Capital leases and financing obligations(3)	360	7	14	7	332
Imputed interest on capital leases and financing obligations	258	19	38	38	163
Minimum rental commitments	238	48	75	44	71
Uncertain tax positions(5)	2	1	1		
Subtotal of contractual obligation payments due by period	6,853	765	840	628	4,620
Total commitments and contingencies	**$ 7,003**	**$ 843**	**$ 843**	**$ 629**	**$ 4,688**

(1) At December 31, 2014, $41 million of the $61 million was included in other accrued liabilities on our consolidated balance sheets.

(2) Capital expenditure obligations primarily reflect amounts associated with our capital expansion activities.

(3) Total debt above is stated at maturity value, and excludes interest rate swap gains and bond discounts.

(4) The estimate of interest payments assumes interest is paid through the date of maturity or expiration of the related debt, based upon stated rates in the respective debt instruments.

(5) At December 31, 2014, $8 million was included on our balance sheet related to uncertain tax positions. Of this amount, we are unable to estimate when $6 million of that amount will become payable.

(6) Purchase obligations are enforceable and legally binding obligations which primarily consist of raw material and energy-related take-or-pay contracts.

We are required, at the time a guarantee is issued, to recognize a liability for the fair value or market value of the obligation it assumes. In the normal course of our business, we do not routinely provide significant third-party guarantees. Generally, third-party guarantees provided by Corning are limited to certain financial guarantees, including stand-by letters of credit and performance bonds, and the incurrence of contingent liabilities in the form of purchase price adjustments related to attainment of milestones. These guarantees have various terms, and none of these guarantees are individually significant.

We believe a significant majority of these guarantees and contingent liabilities will expire without being funded.

Environment

Corning has been named by the Environmental Protection Agency (the Agency) under the Superfund Act, or by state governments under similar state laws, as a potentially responsible party for 15 active hazardous waste sites. Under the Superfund Act, all parties who may have contributed any waste to a hazardous waste site, identified by the Agency, are jointly and severally liable for the cost of cleanup unless the Agency agrees otherwise. It is Corning's policy to accrue for its estimated liability related to Superfund sites and other environmental liabilities related to property owned by Corning based on expert analysis and continual monitoring by both internal and external consultants. At December 31, 2014 and 2013, Corning had accrued approximately $42.5 million (undiscounted) and $15 million (undiscounted), respectively, for its estimated liability for environmental cleanup and related litigation. Based upon the information developed to date, management believes that the accrued reserve is a reasonable estimate of the Company's liability and that the risk of an additional loss in an amount materially higher than that accrued is remote.

Critical Accounting Estimates

The preparation of financial statements requires us to make estimates and assumptions that affect amounts reported therein. The estimates that required us to make difficult, subjective or complex judgments, including future projections of performance and relevant discount rates, are set forth below.

Impairment of assets held for use

We are required to assess the recoverability of the carrying value of long-lived assets when an indicator of impairment has been identified. We review our long-lived assets in each quarter to assess whether impairment indicators are present. We must exercise judgment in assessing whether an event of impairment has occurred.

Manufacturing equipment includes certain components of production equipment that are constructed of precious metals, primarily platinum and rhodium. These metals are not depreciated because they have very low physical losses and are repeatedly reclaimed and reused in our manufacturing process over a very long useful life. Precious metals are reviewed for impairment as part of our assessment of long-lived assets. This review considers all of the Company's precious metals that are either in place in the production process; in reclamation, fabrication, or refinement in anticipation of re-use; or awaiting use to support increased capacity. Precious metals are only acquired to support our operations and are not held for trading or other non-manufacturing related purposes.

Examples of events or circumstances that may be indicative of impairments include, but are not limited to:

- A significant decrease in the market price of an asset;
- A significant change in the extent or manner in which a long-lived asset is being used or in its physical condition;
- A significant adverse change in legal factors or in the business climate that could affect the value of the asset, including an adverse action or assessment by a regulator;
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of an asset; and
- A current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For purposes of recognition and measurement of an impairment loss, a long-lived asset or assets is grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We must exercise judgment in assessing the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For the majority of our reportable segments, we concluded that locations or businesses which share production along the supply chain must be combined in order to appropriately identify cash flows that are largely independent of the cash flows of other assets and liabilities.

For long-lived assets, when impairment indicators are present, we compare estimated undiscounted future cash flows, including the eventual disposition of the asset group at market value, to the assets' carrying value to determine if the asset group is recoverable. This assessment requires the exercise of judgment in assessing the future use of and projected value to be derived from the assets to be held and used. Assessments also consider changes in asset utilization, including the temporary idling of capacity and the expected timing for placing this capacity back into production. If there is an impairment, a loss is recorded to reflect the difference between the assets' fair value and carrying value. This may require judgment in estimating future cash flows and relevant discount rates and residual values in estimating the current fair value of the impaired assets to be held and used.

For an asset group that fails the test of recoverability described above, the estimated fair value of long-lived assets is determined using an "income approach", "market approach", "cost approach", or a combination of one or more of these approaches as appropriate for the particular asset group being reviewed. All of these approaches start with the forecast of expected future net cash flows including the eventual disposition at market value of long-lived assets, and also considers the fair market value of all precious metals if appropriate for the asset group being reviewed. Some of the more significant estimates and assumptions in our analysis include: market size and growth, market share, projected selling prices, manufacturing cost and discount rate. Our estimates are based upon our historical experience, our commercial relationships, and available external information about future trends. We believe fair value assessments are most sensitive to market growth and the corresponding impact on volume and selling prices and that these are also more subjective than manufacturing cost and other assumptions. The Company believes its current assumptions and estimates are reasonable and appropriate.

In the event the current net book value of an asset group is found to be greater than the net present value of the cash flows derived from the asset group, we determine the actual fair market value of long-lived assets with the assistance from valuation appraisals conducted by third parties. The results of these valuations generally represent the fair market value of the asset group that will remain after any necessary impairment adjustments have been recorded. The impairment charge will be allocated to assets within the asset group on a relative fair value basis.

At December 31, 2014 and December 31, 2013, the carrying value of precious metals was higher than the fair market value by $222 million and $164 million, respectively. These precious metals are utilized by the Display Technologies and Specialty Materials segments. Corning believes these precious metal assets to be recoverable due to the significant positive cash flow in both segments. The potential for impairment exists in the future if negative events significantly decrease the cash flow of these segments. Such events include, but are not limited to, a significant decrease in demand for products or a significant decrease in profitability in our Display Technologies or Specialty Materials segments.

In the fourth quarter of 2011, the Specialty Materials segment recorded an impairment charge in the amount of $130 million related to certain assets used in the production of large cover glass due to sales that were significantly below our expectations. In the fourth quarter of 2012, after reassessing the large cover glass business, Corning concluded that the large cover glass market was developing differently in 2012 than our expectations, and demand for larger-sized cover glass was declining, and the market for this type of glass was instead targeting smaller gen size products. Additionally, in the fourth quarter of 2012, our primary customer of large cover glass notified Corning of its decision to exit from this display market. Based on these events, we recorded an additional impairment charge in the fourth quarter of 2012 in the amount of $44 million, before tax. This impairment charge represents a write-down of assets specific to the glass-strengthening process for large size cover glass to their fair market values, and includes machinery and equipment used in the ion exchange process. Additional information on the asset impairment is found in Note 2 (Restructuring, Impairment and Other Charges) to the Consolidated Financial Statements.

Impairment of Goodwill

We are required to make certain subjective and complex judgments in assessing whether an event of impairment of goodwill has occurred, including assumptions and estimates used to determine the fair value of our reporting units.

Corning's goodwill relates primarily to the Display Technologies, Optical Communications, Specialty Materials and Life Sciences operating segments. On a quarterly basis, management performs a qualitative assessment of factors in each reporting unit to determine whether there have been any triggering events. The two-step impairment test is required only if we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying amount. We perform a detailed, two-step process every three years if no indicators suggest a test should be performed in the interim. We use this calculation as quantitative validation of the step-zero qualitative process that is performed during the intervening periods and does not represent an election to perform the two-step process in place of the step-zero review.

The following summarizes our qualitative process to assess our goodwill balances for impairment:

- We assess qualitative factors in each of our reporting units which carry goodwill to determine whether it is necessary to perform the first step of the two-step quantitative goodwill impairment test.
- The following events and circumstances are considered when evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount:
  - Macroeconomic conditions, such as a deterioration in general economic conditions, fluctuations in foreign exchange rates and/or other developments in equity and credit markets;
  - Market capital in relation to book value;
  - Industry and market considerations, such as a deterioration in the environment in which an entity operates, material loss in market share and significant declines in product pricing;
  - Cost factors, such as an increase in raw materials, labor or other costs;
  - Overall financial performance, such as negative or declining cash flows or a decline in actual or forecasted revenue;
  - Other relevant entity-specific events, such as material changes in management or key personnel; and
  - Events affecting a reporting unit, such as a change in the composition or carrying amount of its net assets including acquisitions and dispositions.

The examples noted above are not all-inclusive, and the Company will consider other relevant events and circumstances that affect the fair value of a reporting unit in determining whether to perform the first step of the goodwill impairment test.

Our two-step goodwill recoverability assessment is based on our annual strategic planning process. This process includes an extensive review of expectations for the long-term growth of our businesses and forecasted future cash flows. Our valuation method is an "income approach" using a discounted cash flow model in which cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate of return. Our estimates are based upon our historical experience, our current knowledge from our commercial relationships, and available external information about future trends.

Display Technologies

Goodwill for the Display Technologies segment is tested at the reporting unit level which is also the operating segment level. On a quarterly basis in 2014, management performed a qualitative assessment of factors and determined there had not been any triggering events which would indicate that the Display Technologies reporting unit's fair value is less than its carrying amount.

Optical Communications

Goodwill for the Optical Communications segment is tested at the reporting unit level which is also the operating segment level. On a quarterly basis in 2014, management performed a qualitative assessment of factors and determined there had not been any triggering events which would indicate that the Optical Communications reporting unit's fair value is less than its carrying amount.

In addition to assessing qualitative factors each quarter, we performed a quantitative goodwill recoverability test in 2012 for this reporting unit. The results of our impairment test indicated that the fair value of the reporting unit exceeded its book value by a significant amount. A discount rate of 9% was used in 2012. We determined a range of discount rates between 7% and 11% would not have affected our conclusion.

Specialty Materials

Goodwill for the Specialty Materials segment is tested at the reporting unit level, which is one level below an operating segment, as goodwill is the result of transactions associated with certain businesses within this operating segment. There is only one reporting unit with goodwill within this operating segment. On a quarterly basis in 2014, management performed a qualitative assessment of factors and determined there had not been any triggering events which would indicate that the Specialty Materials reporting unit's fair value is less than its carrying amount.

In addition to assessing qualitative factors each quarter, we performed a quantitative goodwill recoverability test in 2012 for this reporting unit. The results of our impairment test indicated that the fair value of the reporting unit exceeded its book value by a significant amount. A discount rate of 8% was used in 2012. We determined a range of discount rates between 6% and 10% would not have affected our conclusion. Additionally, the asset impairment which occurred in the fourth quarter of 2012 did not cause a triggering event for goodwill impairment in this reporting unit because the cash flow related to this lower level asset group is not material to this reporting unit.

Life Sciences

Goodwill for the Life Sciences segment is tested at the reporting unit level which is also the operating segment level. On a quarterly basis in 2014, management performed a qualitative assessment of factors and determined there had not been any triggering events which would indicate that the Life Sciences reporting unit's fair value is less than its carrying amount.

In addition to assessing qualitative factors each quarter, we performed a quantitative goodwill recoverability test in 2012 for this reporting unit. The results of our impairment test indicated that the fair value of the reporting unit exceeded its book value by a significant amount. A discount rate of 7% was used in 2012. We determined a range of discount rates between 5% and 9% would not have affected our conclusion.

Restructuring charges and impairments resulting from restructuring actions

We are required to assess whether and when a restructuring event has occurred and in which periods charges related to such events should be recognized. We must estimate costs of plans to restructure including, for example, employee termination costs. Restructuring charges require us to exercise judgment about the expected future of our businesses, of portions thereof, their profitability, cash flows and in certain instances eventual outcome. The judgment involved can be difficult, subjective and complex in a number of areas, including assumptions and estimates used in estimating the future profitability and cash flows of our businesses.

Restructuring events often give rise to decisions to dispose of or abandon certain assets or asset groups which, as a result, require impairment. We are required to carry assets to be sold or abandoned at the lower of cost or fair value. We must exercise judgment in assessing the fair value of the assets to be sold or abandoned.

Income taxes

We are required to exercise judgment about our future results in assessing the realizability of our deferred tax assets. Inherent in this estimation process is the requirement for us to estimate future book and taxable income and possible tax planning strategies. These estimates require us to exercise judgment about our future results, the prudence and feasibility of possible tax planning strategies, and the economic environments in which we do business. It is possible that actual results will differ from assumptions and require adjustments to allowances.

Corning accounts for uncertain tax positions in accordance with FASB ASC Topic 740, Income Taxes. As required under FASB ASC Topic 740, we only record tax benefits for technical positions that we believe have a greater than 50% likelihood of being sustained on their technical merits and then only to the extent of the amount of tax benefit that is greater than 50% likely of being realized upon settlement. In estimating these amounts, we must exercise judgment around factors such as the weighting of the tax law in our favor, the willingness of a tax authority to aggressively pursue a particular position, or alternatively, consider a negotiated compromise, and our willingness to dispute a tax authorities assertion to the level of appeal we believe is required to sustain our position. As a result, it is possible that our estimate of the benefits we will realize for uncertain tax positions may change when we become aware of new information affecting these judgments and estimates.

Equity method investments

In October 2013, Corning announced that it was entering into a series of strategic and financial agreements with Samsung Display which would result in Corning obtaining full ownership of Samsung Corning Precision Materials. As part of this agreement, in the fourth quarter of 2013, Corning acquired the minority interests of three shareholders in Samsung Corning Precision Materials for $506 million, which included payment for the transfer of non-operating assets and the pro-rata portion of cash on Samsung Corning Precision Materials balance sheet at September 30, 2013. The resulting transfer of shares to Corning increased Corning's ownership percentage of Samsung Corning Precision Materials from 50% to 57.5%. Because this transaction did not result in a change in control based on the governing articles of this entity, Corning did not consolidate this entity as of December 31, 2013. The remaining transactions were completed on January 15, 2014, which increased Corning's ownership to 100% and resulted in consolidation of the entity beginning in the first quarter of 2014. This organization was integrated into Corning's Display Technologies segment in 2014. Refer to Note 8 (Acquisition) to the Consolidated Financial Statements for additional information.

At December 31, 2014 and 2013, the carrying value of our equity method investments was $1.8 billion and $5.5 billion, respectively. In 2014, our largest equity method investment, Dow Corning, comprised 74% of the balance. In 2013, prior to the Acquisition and consolidation of Samsung Corning Precision Materials, our largest equity method investments, Dow Corning and Samsung Corning Precision Materials, comprised approximately 93% of the balance. We review our equity method investments for indicators of impairment on a periodic basis or if events or circumstances change to indicate the carrying amount may be other-than-temporarily impaired. When such indicators are present, we then perform an in-depth review for impairment. An impairment assessment requires the exercise of judgment related to key assumptions such as forecasted revenue and profitability, forecasted tax rates, foreign currency exchange rate movements, terminal value assumptions, historical experience, our current knowledge from our commercial relationships, and available external information about future trends. As of December 31, 2014 and 2013, we have not identified any instances where the carrying values of our equity method investments were not recoverable.

Fair value measures

As required, Corning uses two kinds of inputs to determine the fair value of assets and liabilities: observable and unobservable. Observable inputs are based on market data or independent sources, while unobservable inputs are based on the Company's own market assumptions. Once inputs have been characterized, we prioritize the inputs used to measure fair value into one of three broad levels. Characterization of fair value inputs is required for those accounting pronouncements that prescribe or permit fair value measurement. In addition, observable market data must be used when available and the highest-and-best-use measure should be applied to non-financial assets. Corning's major categories of financial assets and liabilities required to be measured at fair value are short-term and long-term investments, certain pension asset investments and derivatives. These categories use observable inputs only and are measured using a market approach based on quoted prices in markets considered active or in markets in which there are few transactions.

Derivative assets and liabilities may include interest rate swaps and forward exchange contracts that are measured using observable quoted prices for similar assets and liabilities. In arriving at the fair value of Corning's derivative assets and liabilities, we have considered the appropriate valuation and risk criteria, including such factors as credit risk of the relevant party to the transaction. Amounts related to credit risk are not material.

As a result of the Acquisition of Samsung Corning Precision Materials, the Company has contingent consideration that was measured using unobservable (Level 3) inputs. This contingent consideration arrangement potentially requires additional consideration to be paid between the parties in 2018: one based on projections of future revenues generated by the business of Corning Precision Materials for the period between the acquisition date and December 31, 2017, which is subject to a cap of $665 million; and another based on the volumes of certain sales during the same period, which is subject to a separate cap of $100 million. The fair value of the potential receipt of the contingent consideration in 2018 in the amount of $196 million recognized on the acquisition date was estimated by applying an option pricing model using the Company's projection of future revenues generated by Corning Precision Materials. Changes in the fair value of the contingent consideration in future periods are valued using an option pricing model and are recorded in Corning's results in the period of the change. As of December 31, 2014, the fair value of the potential receipt of the contingent consideration in 2018 is estimated to be $445 million. Corning recorded a pre-tax adjustment in the year ended December 31, 2014 in the amount of $249 million to reflect the increase in the fair value which is mainly due to the movement in foreign exchange rate.

Probability of litigation outcomes

We are required to make judgments about future events that are inherently uncertain. In making determinations of likely outcomes of litigation matters, we consider the evaluation of legal counsel knowledgeable about each matter, case law, and other case-specific issues. See Part II – Item 3. Legal Proceedings for a discussion of the material litigation matters we face. The most significant matter involving judgment is the liability for asbestos litigation. There are a number of factors bearing upon our potential liability, including the inherent complexity of a Chapter 11 filing, our history of success in defending asbestos claims, our assessment of the strength of our corporate veil defenses, and our continuing dialogue with our insurance carriers and the claimants' representatives. The proposed asbestos resolution (Amended PCC Plan) is subject to a number of contingencies. As noted in Part II – Item 3. Legal Proceedings, the District Court's affirmation of the Amended PCC Plan faces objections by certain parties. For these and other reasons, Corning's liability for these asbestos matters may be subject to changes in subsequent quarters. The estimate of the cost of resolving the non-PCC asbestos claims may also be subject to change as developments occur. Management continues to believe that the likelihood of the uncertainties surrounding these proceedings causing a material adverse impact to Corning's financial statements is remote.

Other possible liabilities

We are required to make judgments about future events that are inherently uncertain. In making determinations of likely outcomes of certain matters, including certain tax planning and environmental matters, these judgments require us to consider events and actions that are outside our control in determining whether probable or possible liabilities require accrual or disclosure. It is possible that actual results will differ from assumptions and require adjustments to accruals.

Pension and other postretirement employee benefits (OPEB)

Corning offers employee retirement plans consisting of defined benefit pension plans covering certain domestic and international employees and postretirement plans that provide health care and life insurance benefits for eligible retirees and dependents. The costs and obligations related to these benefits reflect the Company's assumptions related to general economic conditions (particularly interest rates), expected return on plan assets, rate of compensation increase for employees and health care trend rates. The cost of providing plan benefits depends on demographic assumptions including retirements, mortality, turnover and plan participation.

Costs for our defined benefit pension plans consist of two elements: 1) on-going costs recognized quarterly, which are comprised of service and interest costs, expected return on plan assets and amortization of prior service costs; and 2) mark-to-market 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, which are recognized annually in the fourth quarter of each year. These gains and losses result from changes in actuarial assumptions for discount rates and the differences between actual and expected return on plan assets. Any interim remeasurements triggered by a curtailment, settlement or significant plan changes, as well as any true-up to the annual valuation, are recognized as a mark-to-market adjustment in the quarter in which such event occurs.

Costs for our OPEB plans consist of on-going costs recognized quarterly, and are comprised of service and interest costs, amortization of prior service costs and amortization of actuarial gains and losses. We recognize the actuarial gains and losses resulting from changes in actuarial assumptions for discount rates as a component of Stockholders' Equity on our consolidated balance sheets on an annual basis and amortize them into our operating results over the average remaining service period of employees expected to receive benefits under the plans, to the extent such gains and losses are outside of the corridor.

While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect Corning's employee pension and other postretirement obligations, and current and future expense.

The following table presents our actual and expected return on assets, as well as the corresponding percentage, for the years ended 2014, 2013 and 2012:

	December 31,		
(In millions)	2014	2013	2012
Actual return on plan assets – Domestic plans	$ 287	$ 65	$ 299
Expected return on plan assets – Domestic plans	159	158	150
Actual return on plan assets – International plans	68	6	10
Expected return on plan assets – International plans	15	11	10

	December 31,		
	2014	2013	2012
Weighted-average actual and expected return on assets:			
Actual return on plan assets – Domestic plans	10.82%	2.67%	12.06%
Expected return on plan assets – Domestic plans	6.25%	6.00%	6.00%
Actual return on plan assets – International plans	17.15%	2.73%	6.01%
Expected return on plan assets – International plans	4.12%	3.73%	6.01%

As of December 31, 2014, the Projected Benefit Obligation (PBO) for U.S. pension plans was $3,222 million.

The following information illustrates the sensitivity to a change in certain assumptions for U.S. pension plans:

Change in assumption	Effect on 2015 pre-tax pension expense	Effect on December 31, 2014 PBO
25 basis point decrease in discount rate	- 2 million	+ 89 million
25 basis point increase in discount rate	+ 2 million	- 87 million
25 basis point decrease in expected return on assets	+ 7 million	
25 basis point increase in expected return on assets	- 7 million	

The above sensitivities reflect the impact of changing one assumption at a time. Note that economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes in key assumptions are not necessarily linear. These changes in assumptions would have no effect on Corning's funding requirements.

In addition, at December 31, 2014, a 25 basis point decrease in the discount rate would decrease stockholders' equity by $116 million before tax, and a 25 basis point increase in the discount rate would increase stockholders' equity by $113 million. In addition, the impact of greater than a 25 basis point decrease in discount rate would not be proportional to the first 25 basis point decrease in the discount rate.

The following table illustrates the sensitivity to a change in the discount rate assumption related to Corning's U.S. OPEB plans:

Change in assumption	Effect on 2015 pre-tax OPEB expense	Effect on December 31, 2014 APBO*
25 basis point decrease in discount rate	+ 2 million	+ 27 million
25 basis point increase in discount rate	- 2 million	- 26 million

* Accumulated Postretirement Benefit Obligation (APBO).

The above sensitivities reflect the impact of changing one assumption at a time. Note that economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes in key assumptions are not necessarily linear.

Revenue recognition

The Company recognizes revenue when it is realized or realizable and earned. In certain instances, revenue recognition is based on estimates of fair value of deliverables as well as estimates of product returns, allowances, discounts, and other factors. These estimates are supported by historical data. Corning also has contractual arrangements with certain customers in which we recognize revenue on a completed contract basis. Revenues under the completed-contract method are recognized upon substantial completion, defined as acceptance by the customer and compliance with performance specifications as agreed upon in the contract, which in certain instances require estimates and judgments in the determining the timing of substantial completion of the contract. While management believes that the estimates used are appropriate, differences in actual experience or changes in estimates may affect Corning's future results.

Share-Based Compensation

Share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating expected dividends. In addition, judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, share-based compensation expense and our results of operations could be impacted.

New Accounting Standards

Refer to Note 1 (Summary of Significant Accounting Policies) to the Consolidated Financial Statements.

Quantitative and Qualitative Disclosures About Market Risks

We operate and conduct business in many foreign countries and as a result are exposed to movements in foreign currency exchange rates. Our exposure to exchange rates has the following effects:

- Exchange rate movements on financial instruments and transactions denominated in foreign currencies that impact earnings; and
- Exchange rate movements upon conversion of net assets and net income of foreign subsidiaries for which the functional currency is not the U.S. dollar, which impact our net equity.

Our most significant foreign currency exposures relate to the Japanese yen, South Korean won, New Taiwan dollar, Chinese renminbi, and the Euro. We seek to mitigate the impact of exchange rate movements in our income statement by using over-the-counter (OTC) derivative instruments including foreign exchange forward and option contracts typically with durations of 36 months or less. In general, these hedges expire coincident with the timing of the underlying foreign currency commitments and transactions.

We are exposed to potential losses in the event of non-performance by our counterparties to these derivative contracts. However, we minimize this risk by maintaining a diverse group of highly-rated major international financial institutions with which we have other financial relationships as our counterparties. We do not expect to record any losses as a result of such counterparty default. Neither we nor our counterparties are required to post collateral for these financial instruments.

Our cash flow hedging activities utilize OTC foreign exchange forward contracts to reduce the risk that movements in exchange rates will adversely affect the net cash flows resulting from the sale of products to foreign customers and purchases from foreign suppliers. We also use OTC foreign exchange forward and option contracts that are not designated as hedging instruments for accounting purposes. The undesignated hedges limit exposures to foreign functional currency fluctuations related to certain subsidiaries' monetary assets, monetary liabilities and net earnings in foreign currencies. A significant portion of the Company's non-U.S. revenues are denominated in Japanese yen. When these revenues are translated back to U.S. dollars, the Company is exposed to foreign exchange rate movements in the Japanese yen. To protect translated earnings against movements in the Japanese yen, the Company has entered into a series of purchased collars and average rate forwards.

We use a sensitivity analysis to assess the market risk associated with our foreign currency exchange risk. Market risk is defined as the potential change in fair value of assets and liabilities resulting from an adverse movement in foreign currency exchange rates. At December 31, 2014, with respect to open foreign exchange forward and option contracts, and foreign denominated debt with values exposed to exchange rate movements, a 10% adverse movement in quoted foreign currency exchange rates could result in a loss in fair value of these instruments of $1,080 million compared to $479 million at December 31, 2013. Specific to the Japanese yen, a 10% adverse movement in quoted yen exchange rates could result in a loss in fair value of these instruments of $959 million compared to $398 million at December 31, 2013. Specific to the South Korean won, a 10% adverse movement in quoted South Korean won exchange rates could result in a loss in fair value of these instruments of $79 million compared to $0 million at December 31, 2013.

As we derive approximately 73% of our net sales from outside the U.S., our sales and net income could be affected if the U.S. dollar significantly strengthens or weakens against foreign currencies, most notably the Japanese yen, South Korean won, and Euro. Our forecasts generally assume exchange rates during 2015 will remain constant at January 2015 levels. As an example of the impact that changes in foreign currency exchange rates could have on our financial results, we compare 2014 actual sales in yen, won and Euro transaction currencies at an average currency exchange rate during the year to a 10% change in the currency exchange rate. A plus or minus 10% movement in the U.S. dollar – Japanese yen exchange rate would result in a change to 2014 net sales of approximately $384 million. A plus or minus 10% movement in the U.S. dollar – South Korean won and U.S. dollar – euro exchange rates would result in a change to 2014 net sales of approximately $4 million and $100 million, respectively. We estimate that a plus or minus 10% movement in the U.S. dollar – Japanese yen exchange rate would result in a change to 2014 net income attributable to Corning Incorporated of approximately $238 million. A plus or minus 10% movement in the U.S. dollar – South Korean won and U.S. dollar – euro exchange rates would result in a change to 2014 net income attributable to Corning Incorporated of approximately $73 million and $31 million, respectively.

Interest Rate Risk Management

It is our policy to conservatively manage our exposure to changes in interest rates. We are party to two interest rate swaps that are designated as fair value hedges and economically exchange a notional amount of $550 million of previously issued fixed rate long-term debt to floating rate debt. Under the terms of the swap agreements, we pay the counterparty a floating rate that is indexed to the one-month LIBOR rate.

From time to time, we may issue debt, the proceeds of which may be used for general corporate purposes or to refinance certain debt maturities. Additionally, to manage interest rate exposure, the Company, from time to time, enters into interest rate swap agreements. In the fourth quarter of 2014, the Company entered into interest rate swap agreements to hedge against the variability in cash flows due to changes in the benchmark interest rate related to an anticipated issuance. The instruments were designated as cash flow hedges.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate disclosure controls and procedures and adequate internal control over financial reporting for Corning. Management is also responsible for the assessment of the effectiveness of disclosure controls and procedures and the effectiveness of internal control over financial reporting.

Disclosure controls and procedures mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Corning's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Corning in the reports that it files or submits under the Exchange Act is accumulated and communicated to Corning's management, including Corning's principal executive and principal financial officers, or other persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Corning's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Corning's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Corning's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that Corning's receipts and expenditures are being made only in accordance with authorizations of Corning's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Corning's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment of internal control over financial reporting includes controls over recognition of equity earnings and equity investments by Corning. Internal control over financial reporting for Dow Corning is the responsibility of Dow Corning management. Based on this evaluation, management concluded that Corning's internal control over financial reporting was effective as of December 31, 2014. The effectiveness of Corning's internal control over financial reporting as of December 31, 2014, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Wendell P. Weeks
Chairman, Chief Executive Officer and President

James B. Flaws
Vice Chairman and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

To the Board of Directors and Shareholders of Corning Incorporated:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Corning Incorporated and its subsidiaries at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Annual Report on Internal Control Over Financial Reporting," appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

New York, New York

February 13, 2015

Consolidated Statements of Income

Corning Incorporated and Subsidiary Companies

	Years ended December 31,		
(In millions, except per share amounts)	**2014**	**2013**	**2012**
Net sales	$ 9,715	$ 7,819	$ 8,012
Cost of sales	5,663	4,495	4,693
Gross margin	4,052	3,324	3,319
Operating expenses:			
Selling, general and administrative expenses	1,211	1,126	1,205
Research, development and engineering expenses	815	710	769
Amortization of purchased intangibles	33	31	19
Restructuring, impairment and other charges (Note 2)	71	67	133
Asbestos litigation (credit) charges (Note 7)	(9)	19	14
Operating income	1,931	1,371	1,179
Equity in earnings of affiliated companies (Note 7)	266	547	810
Interest income	26	8	14
Interest expense	(123)	(120)	(111)
Transaction-related gain, net (Note 8)	74		
Other income, net	1,394	667	83
Income before income taxes	3,568	2,473	1,975
Provision for income taxes (Note 6)	(1,096)	(512)	(339)
Net income attributable to Corning Incorporated	**$ 2,472**	**$ 1,961**	**$ 1,636**
Earnings per common share attributable to Corning Incorporated:			
Basic (Note 18)	$ 1.82	$ 1.35	$ 1.10
Diluted (Note 18)	$ 1.73	$ 1.34	$ 1.09
Dividends declared per common share	$ 0.52	$ 0.39	$ 0.32

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

Corning Incorporated and Subsidiary Companies

	Years ended December 31,		
(In millions)	**2014**	**2013**	**2012**
Net income attributable to Corning Incorporated	$ 2,472	$ 1,961	$ 1,636
Foreign currency translation adjustments and other	(1,073)	(682)	(179)
Net unrealized (losses) gains on investments	(1)	2	13
Unamortized (losses) gains and prior service costs for postretirement benefit plans	(281)	392	(1)
Net unrealized gains (losses) on designated hedges	4	(24)	47
Other comprehensive loss, net of tax (Note 17)	(1,351)	(312)	(120)
Comprehensive income attributable to Corning Incorporated	**$ 1,121**	**$ 1,649**	**$ 1,516**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

Corning Incorporated and Subsidiary Companies

(In millions, except share and per share amounts)	December 31, 2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 5,309	$ 4,704
Short-term investments, at fair value (Note 3)	759	531
Total cash, cash equivalents and short-term investments	6,068	5,235
Trade accounts receivable, net of doubtful accounts and allowances - $47 and $28	1,501	1,253
Inventories, net of inventory reserves - $127 and $94 (Note 5)	1,322	1,270
Deferred income taxes (Note 6)	248	278
Other current assets (Note 11 and 15)	1,099	855
Total current assets	10,238	8,891
Investments (Note 7)	1,801	5,537
Property, plant and equipment, net of accumulated depreciation - $8,332 and $7,865 (Note 9)	12,766	9,801
Goodwill, net (Note 10)	1,150	1,002
Other intangible assets, net (Note 10)	497	540
Deferred income taxes (Note 6)	1,889	2,234
Other assets (Note 8, 11 and 15)	1,722	473
Total Assets	**$ 30,063**	**$ 28,478**
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt (Note 12)	$ 36	$ 21
Accounts payable	997	771
Other accrued liabilities (Note 11 and 14)	1,291	954
Total current liabilities	2,324	1,746
Long-term debt (Note 12)	3,227	3,272
Postretirement benefits other than pensions (Note 13)	814	766
Other liabilities (Note 11 and 14)	2,046	1,483
Total liabilities	8,411	7,267
Commitments and contingencies (Note 14)		
Shareholders' equity (Note 17):		
Convertible preferred stock, Series A – Par value $100 per share; Shares authorized 3,100; Shares issued: 2,300	2,300	
Common stock – Par value $0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,672 million and 1,661 million	836	831
Additional paid-in capital – common stock	13,456	13,066
Retained earnings	13,021	11,320
Treasury stock, at cost; shares held: 398 million and 262 million	(6,727)	(4,099)
Accumulated other comprehensive (loss) income	(1,307)	44
Total Corning Incorporated shareholders' equity	21,579	21,162
Noncontrolling interests	73	49
Total equity	21,652	21,211
Total Liabilities and Equity	**$ 30,063**	**$ 28,478**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Corning Incorporated and Subsidiary Companies

	Years ended December 31,		
(In millions)	**2014**	**2013**	**2012**
Cash Flows from Operating Activities:			
Net income	$ 2,472	$ 1,961	$ 1,636
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,167	971	978
Amortization of purchased intangibles	33	31	19
Restructuring, impairment and other charges	71	67	133
Loss on retirement of debt			26
Stock compensation charges	58	54	70
Equity in earnings of affiliated companies	(266)	(547)	(810)
Dividends received from affiliated companies	1,704	630	1,090
Deferred tax provision	612	189	18
Restructuring payments	(39)	(35)	(15)
Employee benefit payments (in excess of) less than expense	(52)	52	178
Gains on translated earnings contracts	(1,369)	(435)	
Unrealized translation losses on transactions	431	96	241
Contingent consideration fair value adjustment	(249)		
Changes in certain working capital items:			
Trade accounts receivable	(16)	(29)	(272)
Inventories	2	(247)	(23)
Other current assets	(16)	34	(81)
Accounts payable and other current liabilities	(3)	(23)	189
Other, net	169	18	(171)
Net cash provided by operating activities	**4,709**	**2,787**	**3,206**
Cash Flows from Investing Activities:			
Capital expenditures	(1,076)	(1,019)	(1,801)
Acquisitions of businesses, net of cash received	66	(68)	(723)
Investment in unconsolidated entities	(109)	(526)	(111)
Proceeds from loan repayments from unconsolidated entities	23	8	
Short-term investments – acquisitions	(1,398)	(1,406)	(2,270)
Short-term investments – liquidations	1,167	2,026	2,269
Premium on purchased collars		(107)	
Realized gains on translated earnings contracts	361	87	
Other, net	4	1	8
Net cash used in investing activities	**(962)**	**(1,004)**	**(2,628)**
Cash Flows from Financing Activities:			
Retirement of long-term debt, net		(498)	(280)
Net repayments of short-term borrowings and current portion of long-term debt	(52)	(71)	(26)
Proceeds from issuance of long-term debt, net		248	1,362
Proceeds from issuance of short-term debt, net	29		
Proceeds (payments) from the settlement of interest rate swap agreements		33	(18)
Principal payments under capital lease obligations	(6)	(7)	(1)
Proceeds from issuance of preferred stock(1)	400		
Proceeds received for asset financing and related incentives, net	1	276	
Payments to acquire noncontrolling interest		(47)	
Proceeds from the exercise of stock options	116	85	38
Repurchases of common stock for treasury	(2,483)	(1,516)	(720)
Dividends paid	(591)	(566)	(472)
Other, net			2
Net cash used in financing activities	**(2,586)**	**(2,063)**	**(115)**
Effect of exchange rates on cash	(556)	(4)	(136)
Net increase (decrease) in cash and cash equivalents	605	(284)	327
Cash and cash equivalents at beginning of year	4,704	4,988	4,661
Cash and cash equivalents at end of year	**$ 5,309**	**$ 4,704**	**$ 4,988**

(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. (Note 8). Corning also issued to Samsung Display an additional 400 shares of Preferred Stock at closing, for an issue price of $400 million in cash (Note 17).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Corning Incorporated and Subsidiary Companies

(In millions)	Convertible preferred stock	Common stock	Additional paid-in capital-common	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total Corning Incorporated shareholders' equity	Non-controlling interests	Total
Balance, December 31, 2011		$ 818	$ 13,041	$ 8,767	$ (2,024)	$ 476	$ 21,078	$ 51	$ 21,129
Net income				1,636			1,636	(5)	1,631
Other comprehensive loss						(120)	(120)	1	(119)
Purchase of common stock for treasury					(719)		(719)		(719)
Shares issued to benefit plans and for option exercises		7	105		(1)		111		111
Dividends on shares				(472)			(472)		(472)
Other, net				1	(29)		(28)		(28)
Balance, December 31, 2012		$ 825	$ 13,146	$ 9,932	$ (2,773)	$ 356	$ 21,486	$ 47	$ 21,533
Net income				1,961			1,961		1,961
Other comprehensive loss						(312)	(312)		(312)
Purchase of common stock for treasury			(200)		(1,316)		(1,516)		(1,516)
Shares issued to benefit plans and for option exercises		6	139		(1)		144		144
Dividends on shares				(566)			(566)		(566)
Other, net			(19)	(7)	(9)		(35)	2	(33)
Balance, December 31, 2013		$ 831	$ 13,066	$ 11,320	$ (4,099)	$ 44	$ 21,162	$ 49	$ 21,211
Net income				2,472			2,472	3	2,475
Other comprehensive loss						(1,351)	(1,351)	(1)	(1,352)
Shares issued for acquisition of equity investment company	$ 1,900						1,900	15	1,915
Shares issued for cash	400						400		400
Purchase of common stock for treasury			129		(2,612)		(2,483)		(2,483)
Shares issued to benefit plans and for option exercises		5	261		(2)		264		264
Dividends on shares				(771)			(771)		(771)
Other, net					(14)		(14)	7	(7)
Balance, December 31, 2014	**$ 2,300**	**$ 836**	**$ 13,456**	**$ 13,021**	**$ (6,727)**	**$ (1,307)**	**$ 21,579**	**$ 73**	**$ 21,652**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Corning Incorporated and Subsidiary Companies

1. Summary of Significant Accounting Policies

Organization

Corning Incorporated is a provider of high-performance glass for notebook computers, flat panel desktop monitors, LCD televisions, and other information display applications; carrier network and enterprise network products for the telecommunications industry; ceramic substrates for gasoline and diesel engines in automotive and heavy duty vehicle markets; laboratory products for the scientific community and specialized polymer products for biotechnology applications; advanced optical materials for the semiconductor industry and the scientific community; and other technologies. In these notes, the terms "Corning," "Company," "we," "us," or "our" mean Corning Incorporated and subsidiary companies.

Basis of Presentation and Principles of Consolidation

Our consolidated financial statements were prepared in conformity with generally accepted accounting principles in the U.S. and include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries over which Corning exercises control.

The equity method of accounting is used for investments in affiliated companies that are not controlled by Corning and in which our interest is generally between 20% and 50% and we have significant influence over the entity. Our share of earnings or losses of affiliated companies, in which at least 20% of the voting securities is owned and we have significant influence but not control over the entity, is included in consolidated operating results. In the fourth quarter of 2013, Corning acquired the minority interests of three shareholders in one of our affiliated companies, Samsung Corning Precision Materials, which increased Corning's ownership percentage from 50% to 57.5%. Because this transaction did not result in a change in control based on the governing articles of this entity, Corning did not consolidate this entity as of December 31, 2013. Corning acquired the remaining ownership interests of Samsung Corning Precision Materials on January 15, 2014, which increased Corning's ownership to 100% and resulted in consolidation of the entity beginning in the first quarter of 2014.

We use the cost method to account for our investments in companies that we do not control and for which we do not have the ability to exercise significant influence over operating and financial policies. In accordance with the cost method, these investments are recorded at cost or fair value, as appropriate.

All material intercompany accounts, transactions and profits are eliminated in consolidation.

Certain prior year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no impact on our results of operations, financial position, or changes in shareholders' equity.

Samsung Corning Precision Materials Co., Ltd. ("Samsung Corning Precision Materials")

As further discussed in Note 8 (Acquisition), on January 15, 2014, Corning completed a series of strategic and financial agreements to acquire the common shares of Samsung Corning Precision Materials previously held by Samsung Display Co., Ltd. ("Samsung Display"). As a result of these transactions, Corning is now the owner of 100% of the common shares of Samsung Corning Precision Materials, which we have consolidated into our results beginning in the first quarter of 2014. Operating under the name of Corning Precision Materials Co., Ltd. ("Corning Precision Materials"), the former Samsung Corning Precision Materials organization and operations were integrated into the Display Technologies segment in the first quarter of 2014.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. Significant estimates and assumptions in these consolidated financial statements include estimates of fair value associated with revenue recognition, restructuring charges, goodwill and long-lived asset impairment tests, estimates of acquired assets and liabilities, estimates of fair value of investments, equity interests, environmental and legal liabilities, income taxes and deferred tax valuation allowances, assumptions used in calculating pension and other postretirement employee benefit expenses and the fair value of stock based compensation. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be different from these estimates.

Revenue Recognition

Revenue for sales of goods is recognized when a firm sales agreement is in place, delivery has occurred and sales price is fixed or determinable and collection is reasonably assured. If customer acceptance of products is not reasonably assured, sales are recorded only upon formal customer acceptance. Sales of goods typically do not include multiple product and/or service elements.

At the time revenue is recognized, allowances are recorded, with the related reduction to revenue, for estimated product returns, allowances and price discounts based upon historical experience and related terms of customer arrangements. Where we have offered product warranties, we also establish liabilities for estimated warranty costs based upon historical experience and specific warranty provisions. Warranty liabilities are adjusted when experience indicates the expected outcome will differ from initial estimates of the liability.

In addition, Corning also has contractual arrangements with certain customers in which we recognize revenue on a completed contract basis. Revenues under the completed-contract method are recognized upon substantial completion, defined as acceptance by the customer and compliance with performance specifications as agreed upon in the contract. The Company acts as a principal under the contracts, and recognizes revenues with corresponding cost of revenues on a gross basis for the full amount of the contract.

Other Income, Net

"Other income, net" in Corning's consolidated statements of income includes the following (in millions):

	Years ended December 31,		
	2014	2013	2012
Royalty income from Samsung Corning Precision Materials		$ 56	$ 83
Foreign currency transaction and hedge gains, net	$ 1,352	500	8
Loss on retirement of debt			(26)
Foreign government subsidy	3	55	
Other, net	39	56	18
Total	**$ 1,394**	**$ 667**	**$ 83**

Beginning in the first quarter of 2014, due to the Acquisition and consolidation of Samsung Corning Precision Materials (now Corning Precision Materials), royalty income from Corning Precision Materials is no longer recognized in Corning's consolidated statements of income.

Included in the line item Foreign currency transaction and hedge gains, net, for the years ended December 31, 2014 and 2013 is the impact of purchased collars and average forward contracts which hedge our translation exposure resulting from movements in the Japanese yen and its impact on our net earnings. In the years ended December 31, 2014 and 2013, we recorded net pre-tax gains on our yen-denominated hedging programs in the amount of $1,406 million and $435 million, respectively, which included $344 million and $110 million of realized gains, respectively. These gains were driven by the mark-to-market of the purchased collars and average forward contracts, and occurred due to the depreciation in the 2014 and 2013 exchange rates for the Japanese yen versus the U.S. dollar of 14% and 22%, respectively. The gross notional value outstanding for purchased collars and average rate forward contracts was $9.8 billion at December 31, 2014 and $6.8 billion at December 31, 2013.

In the second quarter of 2014, following the Acquisition, we entered into a portfolio of zero cost collars to hedge our exposure to movements in the Korean won and its impact on our net earnings. These zero cost collars have a gross notional value outstanding at December 31, 2014 of $2.3 billion, and began settling quarterly in the third quarter of 2014 and will conclude at the end of 2015. The net pre-tax loss on these zero cost collars, which is also included in the line item Foreign currency transaction and hedge gains, net, was $37 million for the twelve months ended December 31, 2014, and included $6 million of realized losses.

Research and Development Costs

Research and development costs are charged to expense as incurred. Research and development costs totaled $701 million in 2014, $613 million in 2013 and $651 million in 2012.

Foreign Currency Translation and Transactions

The determination of the functional currency for Corning's foreign subsidiaries is made based on the appropriate economic factors. For most foreign operations, the local currencies are generally considered to be the functional currencies. Corning's most significant exception is our Taiwanese subsidiary, which uses the Japanese yen as its functional currency. For all transactions denominated in a currency other than a subsidiary's functional currency, exchange rate gains and losses are included in income for the period in which the exchange rates changed.

Foreign subsidiary functional currency balance sheet accounts are translated at current exchange rates, and statement of operations accounts are translated at average exchange rates for the year. Translation gains and losses are recorded as a separate component of accumulated other comprehensive income in shareholders' equity. The effects of remeasuring non-functional currency assets and liabilities into the functional currency are included in current earnings, except for those related to intra-entity foreign currency transactions of a long-term investment nature, which are recorded together with translation gains and losses in other comprehensive income in shareholders' equity. Upon sale or substantially complete liquidation of an investment in a foreign entity, the amount of net translation gains or losses that have been accumulated in other comprehensive income attributable to that investment are reported as a gain or loss for the period in which the sale or liquidation occurs.

Stock-Based Compensation

Corning's stock-based compensation programs include employee stock option grants, time-based restricted stock awards, time-based restricted stock units, performance based restricted stock awards and performance-based restricted stock units, as more fully described in Note 19 (Share-based Compensation) to the Consolidated Financial Statements.

The cost of stock-based compensation awards is equal to the fair value of the award at the date of grant and compensation expense is recognized for those awards earned over the vesting period. Corning estimates the fair value of stock based awards using a multiple-point Black-Scholes option valuation model, which incorporates assumptions including expected volatility, dividend yield, risk-free rate, expected term and departure rates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible into cash. We consider securities with contractual maturities of three months or less, when purchased, to be cash equivalents. The carrying amount of these securities approximates fair value because of the short-term maturity of these instruments.

Supplemental disclosure of cash flow information follows (in millions):

	Years ended December 31,		
	2014	2013	2012
Non-cash transactions:			
Accruals for capital expenditures	$ 358	$ 185	$ 240
Cash paid for interest and income taxes:			
Interest(1)	$ 171	$ 182	$ 178
Income taxes, net of refunds received	$ 577	$ 469	$ 355

(1) Included in this amount are approximately $40 million, $35 million and $74 million of interest costs that were capitalized as part of property, plant and equipment, net in 2014, 2013 and 2012, respectively.

Short-Term Investments

Our short-term investments consist of available-for-sale securities that are stated at fair value. Consistent with Corning's cash investment policy, our short-term investments consist primarily of fixed-income securities. Preservation of principal is the primary principle of our cash investment policy that is carried out by limiting interest rate, reinvestment, security, quality and event risk. Our investments are generally liquid and all are investment grade quality. The portfolio is invested predominantly in U.S. Treasury securities and quality money market funds. Unrealized gains and losses, net of tax, are computed on a specific identification basis and are reported as a separate component of accumulated other comprehensive loss in shareholders' equity until realized. Realized gains and losses are recorded in other income (expense), net.

Allowance for Doubtful Accounts

The Company's allowance for doubtful accounts is determined based on a variety of factors that affect the potential collectability of the related receivables, including length of time receivables are past due, customer credit ratings, financial stability of customers, specific one-time events and past customer history. In addition, in circumstances where the Company is made aware of a specific customer's inability to meet its financial obligations, a specific allowance is established. The majority of accounts are individually evaluated on a regular basis and appropriate reserves are established as deemed appropriate based on the above criteria.

Environmental Liabilities

The Company accrues for its environmental investigation, remediation, operating, and maintenance costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. For environmental matters, the most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, current laws and regulations and prior remediation experience. For sites with multiple potential responsible parties, the Company considers its likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Where no amount within a range of estimates is more likely to occur than another, the minimum amount is accrued. When future liabilities are determined to be reimbursable by insurance coverage, an accrual is recorded for the potential liability and a receivable is recorded related to the insurance reimbursement when reimbursement is virtually certain.

The uncertain nature inherent in such remediation and the possibility that initial estimates may not reflect the final outcome could result in additional costs being recognized by the Company in future periods.

Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or market.

Property, Plant and Equipment, Net of Accumulated Depreciation

Land, buildings, and equipment, including precious metals, are recorded at cost. Depreciation is based on estimated useful lives of properties using the straight-line method. Except as described in Note 2 (Restructuring, Impairment and Other Charges) to the Consolidated Financial Statements related to accelerated depreciation arising from restructuring programs and Note 9 (Property, Plant and Equipment, Net of Accumulated Depreciation) of the Consolidated Financial Statements related to the depletion of precious metals, the estimated useful lives range from 10 to 40 years for buildings and 2 to 20 years for equipment.

Included in the subcategory of equipment are the following types of assets (excluding precious metals):

Asset type	Range of useful life
Computer hardware and software	3 to 7 years
Manufacturing equipment	2 to 15 years
Furniture and fixtures	5 to 10 years
Transportation equipment	3 to 20 years

Manufacturing equipment includes certain components of production equipment that are constructed of precious metals. These assets are not depreciated because they have very low physical losses and are repeatedly reclaimed and reused in our manufacturing process over a very long useful life. We treat the physical loss of precious metals in the manufacturing and reclamation process as depletion and account for these losses as a period expense based on actual units lost. Precious metals are integral to many of our glass production processes. They are only acquired to support our operations and are not held for trading or other purposes.

Goodwill and Other Intangible Assets

Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed in a business combination. Goodwill relates to and is assigned directly to a specific reporting unit. Reporting units are either operating segments or one level below the operating segment. Impairment testing for goodwill is done at a reporting unit level. Goodwill is reviewed for indicators of impairment quarterly or if an event occurs or circumstances change that indicate the carrying amount may be impaired. Corning also performs a detailed, two-step process every three years if no indicators suggest a test should be performed in the interim. We use this calculation as quantitative validation of the step-zero qualitative process; this process does not represent an election to perform the two-step process in place of the step-zero review.

The qualitative process includes an extensive review of expectations for the long-term growth of our businesses and forecasting future cash flows. If we are required to perform the two-step impairment analysis, our valuation method is an "income approach" using a discounted cash flow model in which cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate of return. Our estimates are based upon our historical experience, our current knowledge from our commercial relationships, and available external information about future trends. If the fair value is less than the carrying value, a loss is recorded to reflect the difference between the fair value and carrying value.

Other intangible assets include patents, trademarks, and other intangible assets acquired from an independent party. Such intangible assets have a definite life and are amortized on a straight-line basis over estimated useful lives ranging from 4 to 50 years.

Impairment of Long-Lived Assets

We review the recoverability of our long-lived assets, such as plant and equipment and intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. When impairment indicators are present, we compare estimated undiscounted future cash flows, including the eventual disposition of the asset group at market value, to the assets' carrying value to determine if the asset group is recoverable. For an asset group that fails the test of recoverability, the estimated fair value of long-lived assets is determined using an "income approach" that starts with the forecast of all the expected future net cash flows including the eventual disposition at market value of long-lived assets, and also considers the fair market value of all precious metals. We assess the recoverability of the carrying value of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If there is an impairment, a loss is recorded to reflect the difference between the assets' fair value and carrying value. Refer to Note 2 (Restructuring, Impairment and Other Charges) to the Consolidated Financial Statements for more detail.

Employee Retirement Plans

Corning offers employee retirement plans consisting of defined benefit pension plans covering certain domestic and international employees and postretirement plans that provide health care and life insurance benefits for eligible retirees and dependents. The costs and obligations related to these benefits reflect the Company's assumptions related to general economic conditions (particularly interest rates), expected return on plan assets, rate of compensation increase for employees and health care trend rates. The cost of providing plan benefits depends on demographic assumptions including retirements, mortality, turnover and plan participation.

Costs for our defined benefit pension plans consist of two elements: 1) on-going costs recognized quarterly, which are comprised of service and interest costs, expected return on plan assets and amortization of prior service costs; and 2) mark-to-market 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, which are recognized annually in the fourth quarter of each year. These gains and losses result from changes in actuarial assumptions for discount rates and the differences between actual and expected return on plan assets. Any interim remeasurements triggered by a curtailment, settlement or significant plan changes, as well as any true-up to the annual valuation, are recognized as a mark-to-market adjustment in the quarter in which such event occurs.

Costs for our postretirement benefit plans consist of on-going costs recognized quarterly, and are comprised of service and interest costs, amortization of prior service costs and amortization of actuarial gains and losses. We recognize the actuarial gains and losses resulting from changes in actuarial assumptions for discount rates as a component of Stockholders' Equity on our consolidated balance sheets on an annual basis and amortize them into our operating results over the average remaining service period of employees expected to receive benefits under the plans, to the extent such gains and losses are outside of the corridor.

Refer to Note 13 (Employee Retirement Plans) to the Consolidated Financial Statements for more detail.

Treasury Stock

Shares of common stock repurchased by us are recorded at cost as treasury stock and result in a reduction of shareholders' equity in the consolidated balance sheets. From time to time, treasury shares may be reissued as contributions to our employee benefit plans and for the retirement or conversion of certain debt instruments. When shares are reissued, we use an average cost method for determining cost. The difference between the cost of the shares and the reissuance price is added to or deducted from additional paid-in capital.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to operating loss and tax credit carry forwards and for differences between the carrying amounts of existing assets and liabilities and their respective tax bases.

The effective income tax rate reflects our assessment of the ultimate outcome of tax audits. In evaluating the tax benefits associated with our various tax filing positions, we record a tax benefit for uncertain tax positions using the highest cumulative tax benefit that is more likely than not to be realized. Adjustments are made to our liability for unrecognized tax benefits in the period in which we determine the issue is effectively settled with the tax authorities, the statute of limitations expires for the return containing the tax position or when new information becomes available. Our liability for unrecognized tax benefits, including accrued penalties and interest, is included in other accrued liabilities and other long-term liabilities on our consolidated balance sheets and in income tax expense in our consolidated statements of earnings.

Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur. Valuation allowances are established when management is unable to conclude that it is more likely than not that some portion, or all, of the deferred tax asset will ultimately be realized.

The Company is subject to income taxes in the United States and in numerous foreign jurisdictions. With minor exceptions, no provision is made for U.S. income taxes on the undistributed earnings of wholly-owned foreign subsidiaries because substantially all such earnings are indefinitely reinvested in those companies. Provision for the tax consequences of distributions, if any, from consolidated foreign subsidiaries is recorded in the year in which the earnings are no longer indefinitely reinvested in those subsidiaries.

Equity Method Investments

Our equity method investments are reviewed for impairment on a periodic basis or if an event occurs or circumstances change that indicate the carrying amount may be impaired. This assessment is based on a review of the equity investments' performance and a review of indicators of impairment to determine if there is evidence of a loss in value of an equity investment. Factors we consider include:

- Absence of our ability to recover the carrying amount;
- Inability of the equity affiliate to sustain an earnings capacity which would justify the carrying amount of the investment; and
- Significant litigation, bankruptcy or other events that could impact recoverability.

For an equity investment with impairment indicators, we measure fair value on the basis of discounted cash flows or other appropriate valuation methods, depending on the nature of the company involved. If it is probable that we will not recover the carrying amount of our investment, the impairment is considered other-than-temporary and recorded in earnings, and the equity investment balance is reduced to its fair value accordingly. We require our material equity method affiliates to provide audited financial statements. Consequently, adjustments for asset recoverability are included in equity earnings. We also utilize these financial statements in our recoverability assessment.

Fair Value of Financial Instruments

Major categories of financial assets and liabilities, including short-term investments, other assets and derivatives are measured at fair value on a recurring basis. Certain assets and liabilities including long-lived assets, goodwill, asset retirement obligations, and cost and equity investments are measured at fair value on a nonrecurring basis.

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Derivative Instruments

We participate in a variety of foreign exchange forward contracts and foreign exchange option contracts entered into in connection with the management of our exposure to fluctuations in foreign exchange rates. We utilize interest rate swaps to reduce the risk of changes in a benchmark interest rate from the probable forecasted issuance of debt and to swap fixed rate interest payments into floating rate interest payments. These financial exposures are managed in accordance with corporate policies and procedures.

All derivatives are recorded at fair value on the balance sheet. Changes in the fair value of derivatives designated as cash flow hedges and hedges of net investments in foreign operations are not recognized in current operating results but are recorded in accumulated other comprehensive income. Amounts related to cash flow hedges are reclassified from accumulated other comprehensive income when the underlying hedged item impacts earnings. This reclassification is recorded in the same line item of the consolidated statement of operations as where the effects of the hedged item are recorded, typically sales, royalties, or cost of sales. Changes in the fair value of derivatives designated as fair value hedges are recorded currently in earnings offset, to the extent the derivative was effective, by the change in the fair value of the hedged item. Changes in the fair value of derivatives not designated as hedging instruments are recorded currently in earnings in the other income, net line of the consolidated statement of operations.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, Revenue from Contracts with Customers, as a new Topic, Accounting Standards Codification (ASC) Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period, and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted. We are currently assessing the potential impact of adopting this ASU on our financial statements and related disclosures.

2. Restructuring, Impairment and Other Charges

2014 Activity

For the year ended December 31, 2014, we recorded charges of $71 million for workforce reductions, asset disposals and write-offs, and exit costs for restructuring activities with total cash expenditures estimated to be $51 million.

The following table summarizes the restructuring, impairment and other charges as of and for the year ended December 31, 2014 (in millions):

	Reserve at January 1, 2014	Net Charges/ Reversals	Non cash adjustments	Cash payments	Reserve at December 31, 2014
Restructuring:					
Employee related costs	$ 36	$ 48	$ (9)	$ (31)	$ 44
Other charges (credits)	8	1	(1)	(8)	
Total restructuring activity	$ 44	$ 49	$ (10)	$ (39)	$ 44
Impairment charges and disposal of long-lived assets		$ 22			
Total restructuring, impairment and other charges		**$ 71**			

Cash payments for employee-related and exit activity related to the 2014 restructuring actions are expected to be substantially completed in 2015.

The year-to-date cost of these plans for each of our reportable segments was as follows (in millions):

Operating segment	**Employee-related and other charges**
Display Technologies	$ 50
Optical Communications	17
Specialty Materials	1
Life Sciences	1
Corporate and All Other	2
Total restructuring, impairment and other charges	**$ 71**

2013 Activity

Corning implemented a corporate-wide restructuring plan within several of our segments in the fourth quarter of 2013, consisting of workforce reductions, asset disposals and write-offs, and exit costs. We recorded charges of $67 million associated with these actions, with total cash expenditures expected to be approximately $40 million.

The following table summarizes the restructuring, impairment and other charges as of and for the year ended December 31, 2013 (in millions):

	Reserve at January 1, 2013	Net Charges/ Reversals	Non cash adjustments	Cash payments	Reserve at December 31, 2013
Restructuring:					
Employee related costs	$ 38	$ 34	$ (4)	$ (32)	$ 36
Other charges (credits)	4	7		(3)	8
Total restructuring activity	$ 42	$ 41	$ (4)	$ (35)	$ 44
Impairment charges and disposal of long-lived assets:		$ 26			
Total restructuring, impairment and other charges		**$ 67**			

Cash payments for employee-related and exit activity related to the 2013 corporate-wide restructuring plan were substantially completed in 2014.

2012 Activity

Corning implemented a corporate-wide restructuring plan in the fourth quarter of 2012 due to uncertain global economic conditions, and the potential for slower growth in many of our businesses in 2013. We recorded charges of $89 million, before tax, which included costs for workforce reductions, asset write-offs and exit costs. Total cash expenditures associated with these actions are expected to be approximately $49 million.

The Specialty Materials segment recorded an impairment charge in the fourth quarter of 2011 in the amount of $130 million related to certain assets used in the production of large cover glass due to sales that were significantly below our expectations. In the fourth quarter of 2012, after reassessing the large cover glass business, Corning concluded that the large cover glass market was developing differently in 2012 than our expectations, demand for larger-sized cover glass was declining, and the market for this type of glass was instead targeting smaller gen size products. Additionally, in the fourth quarter of 2012, our primary customer of large cover glass notified Corning of its decision to exit from this display market. Based on these events, we recorded an additional impairment charge in the fourth quarter of 2012 in the amount of $44 million, before tax. This impairment charge represents a write-down of assets specific to the glass-strengthening process for large size cover glass to their fair market values, and includes machinery and equipment used in the ion exchange process.

The following table summarizes the restructuring, impairment and other charges as of and for the year ended December 31, 2012 (in millions):

	Reserve at January 1, 2012	Net Charges/ Reversals	Non cash adjustments	Cash payments	Reserve at December 31, 2012
Restructuring:					
Employee related costs	$ 2	$ 47	$ (7)	$ (4)	$ 38
Other charges (credits)	8	5	(5)	(4)	4
Total restructuring activity	$ 10	$ 52	$ (12)	$ (8)	$ 42
Impairment charges and disposal of long-lived assets:					
Assets to be held and used		44			
Assets to be disposed of		37			
Total asset impairment charges and disposals		$ 81			
Total restructuring, impairment and other charges		**$ 133**			

Cash payments for employee-related costs related to the 2012 corporate-wide restructuring plan were substantially completed in 2013. Cash payments for exit activities were completed in 2012.

3. Available-for-Sale Investments

The following is a summary of the fair value of available-for-sale securities (in millions):

	Amortized cost December 31, 2014	Amortized cost December 31, 2013	Fair value December 31, 2014	Fair value December 31, 2013
Bonds, notes and other securities:				
U.S. government and agencies	$ 759	$ 530	$ 759	$ 531
Total short-term investments	**$ 759**	**$ 530**	**$ 759**	**$ 531**
Asset-backed securities	$ 42	$ 46	$ 38	$ 38
Total long-term investments	**$ 42**	**$ 46**	**$ 38**	**$ 38**

We do not intend to sell, nor do we believe it is more likely than not that we would be required to sell, the long-term investment asset-backed securities (which are collateralized by mortgages) before recovery of their amortized cost basis. It is possible that a significant degradation in the delinquency or foreclosure rates in the underlying assets could cause further temporary or other-than-temporary impairments in the future.

The following table summarizes the contractual maturities of available-for-sale securities at December 31, 2014 (in millions):

Less than one year	$ 440
Due in 1-5 years	319
Due in 5-10 years	
Due after 10 years(1)	38
Total	**$ 797**

(1) Included in the maturity table is $38 million of asset-based securities that mature over time.

Unrealized gains and losses, net of tax, are computed on a specific identification basis and are reported as a separate component of accumulated other comprehensive loss in shareholders' equity until realized.

The following tables provide the fair value and gross unrealized losses of the Company's investments and unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2014 and 2013:

		December 31, 2014			
		12 months or greater		Total	
(in millions)	Number of securities in a loss position	Fair value	Unrealized losses(1)	Fair value	Unrealized losses
Asset-backed securities	21	$ 37	$ (4)	$ 37	$ (4)
Total long-term investments	**21**	**$ 37**	**$ (4)**	**$ 37**	**$ (4)**

(1) Unrealized losses in securities less than 12 months were not significant.

		December 31, 2013			
		12 months or greater		Total	
(in millions)	Number of securities in a loss position	Fair value	Unrealized losses(1)	Fair value	Unrealized losses
Asset-backed securities	20	$ 38	$ (8)	$ 38	$ (8)
Total long-term investments	**20**	**$ 38**	**$ (8)**	**$ 38**	**$ (8)**

(1) Unrealized losses in securities less than 12 months were not significant.

As of December 31, 2014 and 2013, for securities that have credit losses, an unrealized loss on other than temporary impaired securities of $4 million and $6 million, respectively, is recognized in accumulated other comprehensive income.

Proceeds from sales and maturities of short-term investments totaled $1.2 billion, $2 billion and $2.3 billion in 2014, 2013 and 2012, respectively.

4. Significant Customers

For 2014, Corning's sales to Samsung Display Co. Ltd., a customer of our Display Technologies segment, represented 14% of the Company's consolidated net sales. In 2013, Corning's sales to AU Optronics Corporation, a customer of our Display Technologies segment, represented 10% of the Company's consolidated net sales. In 2012, no customers met or exceeded 10% of Corning's consolidated net sales.

5. Inventories, Net of Inventory Reserves

Inventories, net of inventory reserves comprise the following (in millions):

	December 31,	
	2014	2013
Finished goods	$ 486	$ 486
Work in process	255	234
Raw materials and accessories	302	311
Supplies and packing materials	279	239
Total inventories, net of inventory reserves	**$ 1,322**	**$ 1,270**

6. Income Taxes

Income before income taxes follows (in millions):

	Years ended December 31,		
	2014	2013	2012
U.S. companies	$ 2,384	$ 1,274	$ 382
Non-U.S. companies	1,184	1,199	1,593
Income before income taxes	**$ 3,568**	**$ 2,473**	**$ 1,975**

The current and deferred amounts of the provision (benefit) for income taxes follow (in millions):

	Years ended December 31,		
	2014	2013	2012
Current:			
Federal	$ 38	$ 3	$ (4)
State and municipal	32	12	3
Foreign	414	308	321
Deferred:			
Federal	411	112	143
State and municipal	(9)	50	(8)
Foreign	210	27	(116)
Provision for income taxes	**$ 1,096**	**$ 512**	**$ 339**

Amounts are reflected in the preceding tables based on the location of the taxing authorities.

Reconciliation of the U.S. statutory income tax rate to our effective tax rate for continuing operations follows:

	Years ended December 31,		
	2014	2013	2012
Statutory U.S. income tax rate	35.0%	35.0%	35.0%
State income tax (benefit), net of federal effect	4.9(8)	0.6	0.2
Tax holidays(1)	(0.4)	(1.2)	(1.7)
Investment and other tax credits(2)	(0.3)	(2.0)	(1.1)
Rate difference on foreign earnings	(8.3)	(7.9)(4)	(2.0)
Equity earnings impact(3)	(2.0)	(6.6)	(13.6)
Valuation allowances	0.7(6)	3.1(5)	(0.1)
Other items, net	1.1(7)	(0.3)	0.5
Effective income tax (benefit) rate	**30.7%**	**20.7%**	**17.2%**

(1) Primarily related to a subsidiary in Taiwan operating under tax holiday arrangements. The nature and extent of such arrangements vary, and the benefits of existing arrangements phase out in future years (through 2018). The impact of tax holidays on net income per share on a diluted basis was $0.01 in 2014, $0.02 in 2013 and $0.02 in 2012.

(2) Primarily related to research and development and other credits in the U.S.

(3) Equity in earnings of nonconsolidated affiliates reported in the financials net of tax. The decrease from 2012-2013 was driven by significantly lower earnings from Samsung Corning Precision Materials and from 2013-2014 the change of Samsung Corning Precision Materials from an equity company to a consolidated entity.

(4) In 2013, $74 million of tax benefit increase was due to $37 million expense recorded in 2012 that was reversed in the first quarter of 2013 as a result of the retroactive application of the American Taxpayer Relief Act enacted on January 3, 2013. In 2013, the additional increase in the benefit was attributable to excess foreign tax credits realized in U.S. from a taxable intercompany loan.

(5) Primarily related to change in judgment on the realizability of Australia and certain state deferred tax assets.

(6) $177 million tax expense related to change in judgment on the realizability of Germany and Japan deferred tax assets is partially offset with benefit from state deferred tax asset valuation allowance reductions, including the valuation allowance relating to the New York State attribute reduction discussed in (8) below.

(7) Includes in 2014, $9 million benefit for domestic manufacturing deduction and $46 million of tax expense related to out of period transfer pricing adjustments. The impact of these corrections is not material to any individual period previously presented.

(8) Includes $100 million tax expense related to the write-off of New York State tax attributes for a state law change that were offset with full valuation allowance.

The tax effects of temporary differences and carryforwards that gave rise to significant portions of the deferred tax assets and liabilities follows (in millions):

	December 31,	
	2014	2013
Loss and tax credit carryforwards	$ 1,235	$ 1,788
Other Assets	69	63
Asset impairments and restructuring reserves	170	172
Postretirement medical and life benefits	312	290
Fixed assets		85
Other accrued liabilities	246	320
Other employee benefits	473	387
Gross deferred tax assets	2,505	3,105
Valuation allowance	(298)	(286)
Total deferred tax assets	2,207	2,819
Intangible and other assets	(152)	(321)
Fixed assets	(299)	
Total deferred tax liabilities	(451)	(321)
Net deferred tax assets	**$ 1,756**	**$ 2,498**

The net deferred tax assets are classified in our consolidated balance sheets as follows (in millions):

	December 31,	
	2014	2013
Current deferred tax assets	$ 248	$ 278
Non-current deferred tax assets	1,889	2,234
Current deferred tax liabilities	(5)	(1)
Non-current deferred tax liabilities	(376)	(13)
Net deferred tax assets	**$ 1,756**	**$ 2,498**

Details on deferred tax assets for loss and tax credit carryforwards at December 31, 2014 follow (in millions):

		Expiration			
	Amount	2015-2019	2020-2024	2025-2034	Indefinite
Net operating losses	$ 423	$ 92	$ 120	$ 20	$ 191
Capital losses	9	9			
Tax credits	803	62	672	38	31
Totals as of December 31, 2014	**$ 1,235**	**$ 163**	**$ 792**	**$ 58**	**$ 222**

The recognition of windfall tax benefits from stock-based compensation deducted on the tax return is prohibited until realized through a reduction of income tax payable. Cumulative tax benefits totaling $236 million will be recorded in additional paid-in-capital when credit carry forwards are utilized and the windfall tax benefit can be realized.

Deferred tax assets are to be reduced by a valuation allowance if, based on the weight of available positive and negative evidence, it is more likely than not (a likelihood of greater than 50 percent) that some portion or all of the deferred tax assets will not be realized. Corning has valuation allowances on certain shorter-lived deferred tax assets such as those represented by capital loss and state tax net operating loss carry forwards, as well as other foreign net operating loss carryforwards, because we cannot conclude that it is more likely than not that we will earn income of the character required to utilize these assets before they expire. U.S. profits of approximately $5.1 billion will be required to fully realize the U.S. deferred tax assets as of December 31, 2014, of which $110.3 million will be required over the next 20 years to realize the deferred tax assets related to general business credits and $2.1 billion of foreign sourced income will be required over the next 10 years to fully realize the deferred tax assets associated with foreign tax credits. The amount of U.S. and foreign deferred tax assets that have remaining valuation allowances at December 31, 2014 and 2013 was $298 million and $286 million, respectively.

The following is a tabular reconciliation of the total amount of unrecognized tax benefits (in millions):

	2014	2013
Balance at January 1	$ 15	$ 16
Additions based on tax positions related to the current year		1
Additions for tax positions of prior years	5	
Reductions for tax positions of prior years		
Settlements and lapse of statute of limitations	(10)	(2)
Balance at December 31	**$ 10**	**$ 15**

Included in the balance at December 31, 2014 and 2013 are $5 million and $7 million, respectively, of unrecognized tax benefits that would impact our effective tax rate if recognized.

We recognize accrued interest and penalties associated with uncertain tax positions as part of tax expense. For the years ended December 31, 2014, 2013 and 2012, the amounts recognized in interest expense and income were immaterial. The amounts accrued at December 31, 2014 and 2013 for the payment of interest and penalties were not significant.

While we expect the amount of unrecognized tax benefits to change in the next 12 months, we do not expect the change to have a significant impact on the results of operations or our financial position.

Corning Incorporated, as the common parent company, and all 80%-or-more-owned of its U.S. subsidiaries join in the filing of consolidated U.S. federal income tax returns. All such returns for periods ended through December 31, 2004, have been audited by and settled with the Internal Revenue Service (IRS). The statute for all years from 2004 forward will remain open until the statute closes for the return in which the NOL carryovers generated in 2004 and 2005 are fully utilized. The statute for U.S. foreign tax and research and experimentation credit carryforwards generated through 2013 will also remain open until the statute closes for the returns in which the credits are utilized.

Corning Incorporated and its U.S. subsidiaries file income tax returns on a combined, unitary or stand-alone basis in multiple state and local jurisdictions, which generally have statutes of limitations ranging from 3 to 5 years. Various state income tax returns are currently in the process of examination or administrative appeal.

Our foreign subsidiaries file income tax returns in the countries in which they have operations. Generally, these countries have statutes of limitations ranging from 3 to 7 years. Years still open to examination by foreign tax authorities in major jurisdictions include Japan (2009 onward), Taiwan (2013 onward) and South Korea (2010 onward).

Corning continues to indefinitely reinvest substantially all of its foreign earnings, with the exception of approximately $10 million of current earnings that have very low or no tax cost associated with their repatriation. Our current analysis indicates that we have sufficient U.S. liquidity, including borrowing capacity, to fund foreseeable U.S. cash needs without requiring the repatriation of foreign cash. One time or unusual items that may impact our ability or intent to keep our foreign earnings and cash indefinitely reinvested include significant U.S. acquisitions, stock repurchases, shareholder dividends, changes in tax laws, derivative contract settlements or the development of tax planning ideas that allow us to repatriate earnings at minimal or no tax cost, and/or a change in our circumstances or economic conditions that negatively impact our ability to borrow or otherwise fund U.S. needs from existing U.S. sources. As of December 31, 2014, taxes have not been provided on approximately $10.3 billion of accumulated foreign unremitted earnings that are expected to remain invested indefinitely. While it remains impracticable to calculate the tax cost of repatriating our total unremitted foreign earnings, such cost could be material to the results of operations of Corning in a particular period.

7. Investments

Investments comprise the following (in millions):

	Ownership interest(1)	December 31, 2014	December 31, 2013
Affiliated companies accounted for by the equity method			
Samsung Corning Precision Materials(2)			$ 3,709
Dow Corning	50%	$ 1,325	1,420
All other	20% to 50%	452	390
		1,777	5,519
Other investments		24	18
Total		**$ 1,801**	**$ 5,537**

(1) Amounts reflect Corning's direct ownership interests in the respective affiliated companies at December 31, 2014. Corning does not control any of such entities.

(2) On January 15, 2014 Corning acquired the remaining equity interests of Samsung Corning Precision Materials, resulting in 100% ownership of this entity.

Affiliated Companies at Equity

The results of operations and financial position of the investments accounted for under the equity method follow (in millions):

	Years ended December 31,		
	2014	2013	2012
Statement of operations[(1)(2)]:			
Net sales	$ 7,124	$ 8,526	$ 9,957
Gross profit	$ 1,701	$ 2,655	$ 3,628
Net income	$ 647	$ 1,135	$ 1,541
Corning's equity in earnings of affiliated companies	$ 266	$ 547	$ 810
Related party transactions:			
Corning sales to affiliated companies	$ 13	$ 13	$ 50
Corning purchases from affiliated companies	$ 25	$ 189	$ 167
Corning transfers of assets, at cost, to affiliated companies[(3)]	$	$ 37	$ 55
Dividends received from affiliated companies	$ 130	$ 629	$ 1,089
Royalty income from affiliated companies	$ 2	$ 57	$ 84
Corning services to affiliates		$ 2	$ 24

	December 31,	
	2014	2013
Balance sheet[(1)(2)]:		
Current assets	$ 5,432	$ 8,416
Noncurrent assets	$ 6,864	$ 12,220
Short-term borrowings, including current portion of long-term debt	$ 7	$ 79
Other current liabilities	$ 1,630	$ 1,886
Long-term debt	$ 950	$ 937
Other long-term liabilities	$ 5,143	$ 6,502
Non-controlling interest	$ 634	$ 619
Related party transactions:		
Balances due from affiliated companies	$ 19	$ 45
Balances due to affiliated companies	$ 2	$ 5

(1) 2013 and 2012 amounts include Samsung Corning Precision Materials.

(2) As a result of the series of strategic and financial agreements with Samsung Display entered into on October 22, 2013, certain non-operating assets of Samsung Corning Precision Materials were held for sale as of December 31, 2013 and are reported as discontinued operations in Samsung Corning Precision Materials financial statements, which are attached in Item 15, Exhibits and Financial Statement Schedules. Previous period amounts have been conformed for comparative purposes.

(3) In 2013 and 2012, Corning purchased machinery and equipment on behalf of Samsung Corning Precision Materials to support its capital expansion initiatives.

We have contractual agreements with several of our equity affiliates which include sales, purchasing, licensing and technology agreements.

At December 31, 2014, approximately $1.9 billion of equity in undistributed earnings of equity companies was included in our retained earnings.

Samsung Corning Precision Materials

Prior to December 2013, Corning owned 50% of its equity affiliate, Samsung Corning Precision Materials, Samsung Display owned 42.5% and three shareholders owned the remaining 7%. In the fourth quarter of 2013, in connection with a series of agreements with Samsung Display announced in October 2013, Corning acquired the minority interests of three shareholders in Samsung Corning Precision Materials for $506 million, which included payment for the transfer of non-operating assets and the pro-rata portion of cash on the Samsung Corning Precision Materials balance sheet at September 30, 2013. The resulting transfer of shares to Corning increased Corning's ownership percentage of Samsung Corning Precision Materials from 50% to 57.5%. Because this transaction did not result in a change in control based on the governing documents of this entity, Corning did not consolidate this entity as of December 31, 2013.

As further discussed in Note 8 (Acquisition), on January 15, 2014, Corning completed the acquisition of the common shares of Samsung Corning Precision Materials previously held by Samsung Display. As a result of these transactions, Corning became the owner of 100% of the common shares of Samsung Corning Precision Materials, which was consolidated into our results beginning in the first quarter of 2014. Operating under the name of Corning Precision Materials, the former Samsung Corning Precision Materials organization and operations were integrated into the Display Technologies segment in the first quarter of 2014.

Dow Corning

Dow Corning is a U.S.-based manufacturer of silicone products. Corning and Dow Chemical each own half of Dow Corning.

Dow Corning's financial position and results of operations follow (in millions):

	Years ended December 31,		
	2014	2013	2012
Statement of operations:			
Net sales	$ 6,221	$ 5,711	$ 6,119
Gross profit(1)	$ 1,543	$ 1,280	$ 1,413
Net income attributable to Dow Corning	$ 513	$ 376	$ 181
Corning's equity in earnings of Dow Corning	$ 252	$ 196	$ 90
Related party transactions:			
Corning purchases from Dow Corning	$ 15	$ 22	$ 23
Dividends received from Dow Corning	$ 125	$ 100	$ 100

	December 31,	
	2014	2013
Balance sheet:		
Current assets	$ 4,712	$ 3,996
Noncurrent assets	$ 6,433	$ 8,306
Short-term borrowings, including current portion of long-term debt	$ 7	$ 79
Other current liabilities	$ 1,441	$ 1,267
Long-term debt	$ 945	$ 937
Other long-term liabilities	$ 5,125	$ 6,240
Non-controlling interest	$ 634	$ 606

(1) Gross profit for the year ended December 31, 2014 includes R&D cost of $273 million (2013: $248 million and 2012: $281 million).

Beginning in the latter half of 2011, and continuing into 2012, Dow Corning began experiencing unfavorable industry conditions at its consolidated subsidiary Hemlock, a producer of high purity polycrystalline silicon for the semiconductor and solar industries, driven by over-capacity at all levels of the solar industry supply chain. This over-capacity led to significant declines in polycrystalline spot prices in the fourth quarter of 2011, and prices remained depressed throughout 2012. In 2013, markets stabilized, but prices remain significantly below historical levels.

Due to the conditions and uncertainties during 2012 described above, sales volume declined and production levels of certain operating assets were reduced. As a result, in the fourth quarter of 2012, Dow Corning determined that a polycrystalline silicon plant expansion previously delayed since the fourth quarter of 2011 would no longer be economically viable and made the decision to abandon this expansion activity. The abandonment resulted in an impairment charge of $57 million, before tax, for Corning's share of the write down in the value of these construction-in-progress assets. Further, the startup of another polycrystalline silicon plant expansion that was expected to begin production in 2013 was delayed and its assets were idled.

In July 2012, the MOFCOM initiated antidumping and countervailing duty investigations of imports of solar-grade polycrystalline silicon products from the U.S. and Korea based on a petition filed by Chinese solar-grade polycrystalline silicon producers. The petition alleged that producers within these countries exported solar-grade polycrystalline silicon to China at less than fair value and that production of solar-grade polycrystalline silicon in the U.S. has been subsidized by the U.S. government. On July 18, 2013, MOFCOM announced its preliminary determination that China's solar-grade polycrystalline silicon industry suffered material damage because of dumping by producers in the U.S. and Korea. The Chinese authorities imposed provisional antidumping duties on producers in the U.S. and Korea ranging from 2.4% to 57.0%, including duties of 53.3% on future imports of solar-grade polycrystalline silicon product from the Dow Corning subsidiary into China. On September 16, 2013, the Chinese authorities imposed provisional countervailing duties of 6.5% on solar grade polycrystalline silicon products from the Dow Corning subsidiary. On January 20, 2014, MOFCOM issued a final determination. The final determination resulted in no change to the antidumping duties, and the countervailing duties were reduced to 2.1%. The requirement for customers to pay provisional duties on imports from solar-grade polycrystalline silicon producers became effective on July 24, 2013 for the antidumping duties and on September 20, 2013 for the countervailing duties, adjusted for the final determination. Dow Corning will not be subject to duties for previous sales.

In December 2014, Dow Corning determined its polycrystalline silicon plant expansion which was delayed in the fourth quarter of 2012, would not be economically viable and made the decision to permanently abandon the assets. This decision was made after review of sustained adverse market conditions and continued oversupply, the cost of operating the facility and the ongoing impact of tariffs on polycrystalline silicon imported into China. The decision to permanently cease use of these assets resulted in Dow Corning taking a pre-tax charge of approximately $1.5 billion in the fourth quarter of 2014 (Corning's share after-tax: $465 million). As a result of the significant change in the use of this asset, Dow Corning assessed whether the carrying value of all polycrystalline silicon assets might be impaired. Dow Corning's estimates of future undiscounted cash flows indicated the polycrystalline silicon asset group was recoverable.

In May 1995, Dow Corning filed for bankruptcy protection to address pending and claimed liabilities arising from breast implant product lawsuits. In 1995, Corning fully impaired its investment in Dow Corning after it filed for bankruptcy protection. Corning did not recognize net equity earnings from the second quarter of 1995 through the end of 2002. Corning began recognizing equity earnings in the first quarter of 2003 when management concluded that Dow Corning's emergence from bankruptcy was probable. Corning considers the $171 million difference between the carrying value of its investment in Dow Corning and its 50% share of Dow Corning's equity to be permanent.

On June 1, 2004, Dow Corning emerged from Chapter 11 with a Plan of Reorganization (the "Plan") which provided for the settlement or other resolution of implant claims. Under the Plan, Dow Corning established and agreed to fund a products liability settlement program (the "Settlement Facility"). The Plan contains a cap on the amount of payments required from Dow Corning to fund the Settlement Facility. Inclusive of insurance, Dow Corning has paid approximately $1.8 billion to the Settlement Facility, and approximately $1.3 billion has been paid to claimants out of the Settlement Facility. Dow Corning's recorded liability related to implant matters ("Implant Liability") was approximately $1.7 billion at September 30, 2014, representing Dow Corning's estimated remaining obligation for future funding of the Settlement Facility.

During the fourth quarter of 2014, Dow Corning, with the assistance of a third-party advisor, developed an estimate of the future Implant Liability based on evidence that the actual funding required for the Settlement Facility is expected to be lower than the full funding cap set forth in the Plan. On December 12, 2014, Dow Corning reduced its Implant Liability by approximately $1.3 billion (Corning's share after-tax: $393 million). Previously, the Implant Liability was based on the full funding cap set forth in the Plan. The revised Implant Liability reflects Dow Corning's best estimate of its remaining obligations under the Plan. Should events or circumstances occur in the future which change Dow Corning's estimate of the remaining funding obligations, the Implant Liability will be revised. This adjustment does not affect Dow Corning's commitment or ability to fulfill its obligations under the settlement, and all claims that qualify under the settlement will be paid according to the terms of the Plan.

As a separate matter arising from its bankruptcy proceedings, Dow Corning is defending claims asserted by a number of commercial creditors who claim additional interest at default rates and enforcement costs, during the period from May 1995 through June 2004. As of December 31, 2014, Dow Corning has estimated the potential liability to these creditors to be within the range of $99 million to $324 million. As Dow Corning management believes no single amount within the range appears to be a better estimate than any other amount within the range, Dow Corning has recorded the minimum liability within the range. Should Dow Corning not prevail in this matter, Corning's equity earnings would be reduced by its 50% share of the amount in excess of $99 million, net of applicable tax benefits. There are a number of other claims in the bankruptcy proceedings against Dow Corning awaiting resolution by the U.S. District Court, and it is reasonably possible that Dow Corning may record bankruptcy-related charges in the future. The remaining tort claims against Dow Corning are expected to be channeled by the Plan into facilities established by the Plan or otherwise defended by the Litigation Facility.

Pittsburgh Corning Corporation and Asbestos Litigation.

Corning and PPG Industries, Inc. ("PPG") each own 50% of the capital stock of Pittsburgh Corning Corporation ("PCC"). Over a period of more than two decades, PCC and several other defendants were named in numerous lawsuits involving claims alleging personal injury from exposure to asbestos. On April 16, 2000, PCC filed for Chapter 11 reorganization in the U.S. Bankruptcy Court for the Western District of Pennsylvania. At the time PCC filed for bankruptcy protection, there were approximately 11,800 claims pending against Corning in state court lawsuits alleging various theories of liability based on exposure to PCC's asbestos products and typically requesting monetary damages in excess of one million dollars per claim. Corning has defended those claims on the basis of the separate corporate status of PCC and the absence of any facts supporting claims of direct liability arising from PCC's asbestos products.

PCC Plan of Reorganization

Corning, with other relevant parties, has been involved in ongoing efforts to develop a Plan of Reorganization that would resolve the concerns and objections of the relevant courts and parties. On November 12, 2013, the Bankruptcy Court issued a decision finally confirming an Amended PCC Plan of Reorganization (the "Amended PCC Plan" or the "Plan"). On September 30, 2014, the United States District Court for the Western District of Pennsylvania (the "District Court") affirmed the Bankruptcy Court's decision confirming the Amended PCC Plan. On October 30, 2014, one of the objectors to the Plan appealed the District Court's affirmation of the Plan to the United States Court of Appeals for the Third Circuit (the "Third Circuit Court of Appeals"), and that appeal is currently being scheduled for briefing. It will likely take many months for the Third Circuit Court of Appeals to render its decision.

Under the Plan as affirmed by the Bankruptcy Court and affirmed by the District Court, Corning is required to contribute its equity interests in PCC and Pittsburgh Corning Europe N.V. ("PCE"), a Belgian corporation, and to contribute $290 million in a fixed series of payments, recorded at present value. Corning has the option to use its shares rather than cash to make these payments, but the liability is fixed by dollar value and not the number of shares. The Plan requires Corning to make: (1) one payment of $70 million one year from the date the Plan becomes effective and certain conditions are met; and (2) five additional payments of $35 million, $50 million, $35 million, $50 million, and $50 million, respectively, on each of the five subsequent anniversaries of the first payment, the final payment of which is subject to reduction based on the application of credits under certain circumstances.

Non-PCC Asbestos Litigation

In addition to the claims against Corning related to its ownership interest in PCC, Corning is also the defendant in approximately 9,700 other cases (approximately 37,300 claims) alleging injuries from asbestos related to its Corhart business and similar amounts of monetary damages per case. When PCC filed for bankruptcy protection, the Court granted a preliminary injunction to suspend all asbestos cases against PCC, PPG and Corning – including these non-PCC asbestos cases (the "stay"). The stay remains in place as of the date of this filing. Under the Bankruptcy Court's order confirming the Amended PCC Plan, the stay will remain in place until the Amended PCC Plan is finally affirmed by the District Court and the Third Circuit Court of Appeals. These non-PCC asbestos cases have been covered by insurance without material impact to Corning to date. As of December 31, 2014, Corning had received for these cases approximately $19 million in insurance payments related to those claims. If and when the Bankruptcy Court's confirmation of the Amended PCC Plan is finally affirmed, these non-PCC asbestos claims would be allowed to proceed against Corning. Corning has recorded in its estimated asbestos litigation liability an additional $150 million for these and any future non-PCC asbestos cases.

Total Estimated Liability for the Amended PCC Plan and the Non-PCC Asbestos Claims

The liability for the Amended PCC Plan and the non-PCC asbestos claims was estimated to be $681 million at December 31, 2014, compared with an estimate of liability of $690 million at December 31, 2013. The $681 million liability is comprised of $241 million of the fair value of PCE, $290 million for the fixed series of payments, and $150 million for the non-PCC asbestos litigation, all referenced in the preceding paragraphs. With respect to the PCE liability, at December 31, 2014 and 2013, the fair value of $241 million and $250 million of our interest in PCE significantly exceeded its carrying value of $162 million and $167 million, respectively. There have been no impairment indicators for our investment in PCE and we continue to recognize equity earnings of this affiliate. At the time Corning recorded this liability, it determined it lacked the ability to recover the carrying amount of its investment in PCC and its investment was other than temporarily impaired. As a result, we reduced our investment in PCC to zero. As the fair value in PCE is significantly higher than book value, management believes that the risk of an additional loss in an amount materially higher than the fair value of the liability is remote. With respect to the liability for other asbestos litigation, the liability for non-PCC claims was estimated based upon industry data for asbestos claims since Corning does not have recent claim history due to the injunction issued by the Bankruptcy Court. The estimated liability represents the undiscounted projection of claims and related legal fees over the next 20 years. The amount may need to be adjusted in future periods as more data becomes available; however, we cannot estimate any additional losses at this time. For the years ended December 31, 2014 and 2013, Corning recorded asbestos litigation income of $9 million and expense of $19 million, respectively. The entire obligation is classified as a non-current liability, as installment payments for the cash portion of the obligation are not planned to commence until more than 12 months after the Amended PCC Plan becomes effective and the PCE portion of the obligation will be fulfilled through the direct contribution of Corning's investment in PCE (currently recorded as a non-current other equity method investment).

Non-PCC Asbestos Cases Insurance Litigation

Several of Corning's insurers have commenced litigation in state courts for a declaration of the rights and obligations of the parties under insurance policies affecting the non-PCC asbestos cases, including rights that may be affected by the potential resolutions described above. Corning is vigorously contesting these cases, and management is unable to predict the outcome of the litigation.

8. Acquisition

On January 15, 2014, Corning consummated a series of strategic and financial agreements pursuant to the Framework Agreement with Samsung Display, previously announced on October 22, 2013, to acquire the remaining common shares of Samsung Corning Precision Materials. The transaction is expected to strengthen product and technology collaborations between the two companies and allow Corning to extend its leadership in specialty glass and drive earnings growth.

The Acquisition was accounted for under the purchase method of accounting in accordance with business combination accounting guidance. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed, based on their fair value on the date of Acquisition. The fair value was determined based on the fair value of consideration transferred for the remaining equity interest of Samsung Display's shares.

In connection with the purchase of Samsung Display's equity interest in Samsung Corning Precision Materials pursuant to the Framework Agreement, the Company designated a new series of its preferred stock as Fixed Rate Cumulative Convertible Preferred Stock, Series A, par value $100 per share ("Preferred Stock"). As contemplated by the Framework Agreement, Samsung Display became the owner of 2,300 shares of Preferred Stock (with an issue price of $1 million per share), of which 1,900 shares were issued in connection with the Acquisition and 400 shares were issued for cash.

Corning issued 1,900 shares of Preferred Stock as consideration in the Acquisition of Samsung Corning Precision Materials which had a fair value of $1.9 billion on the acquisition date. The fair value was determined using an option pricing model based on the features of the Preferred Stock. That measure is based on Level 2 inputs observable in the market such as Corning's common stock price and dividend yield.

The Acquisition also includes a contingent consideration arrangement that potentially requires additional consideration to be paid between the parties in 2018: one based on projections of future revenues generated by the business of Samsung Corning Precision Materials for the period between the acquisition date and December 31, 2017, which is subject to a cap of $665 million; and another based on the volumes of certain sales during the same period, which is subject to a separate cap of $100 million. The fair value of the potential receipt of the contingent consideration in 2018 in the amount of $196 million at date of acquisition and $445 million at December 31, 2014 was estimated by applying an option pricing model using the Company's projections of Corning Precision Materials' future revenues. Changes in the fair value of the contingent consideration in future periods are valued using an option pricing model and are recorded in Corning's results in the period of the change. Corning recorded $249 million of pre-tax reductions in Selling, general and administrative expenses for the year ended December 31, 2014 to reflect the increase in the fair value of the potential receipt of the contingent consideration.

The following table summarizes the total fair value of Samsung Corning Precision Materials at the acquisition date including the net consideration transferred to acquire the remaining 42.5% of Samsung Corning Precision Materials, the fair value of Corning's non-controlling interest in Samsung Corning Precision Materials pre- and post-acquisition and the amount of the implied fair value of the total entity for the purpose of allocating the purchase price to the acquired net assets.

Net consideration applied to acquired assets	Samsung Display	Corning Incorporated	Samsung Corning Precision Materials
Ownership percentage	**42.5%**	**57.5%**	**100%**
Fair value based on $1.9 billion consideration transferred	$ 1,911	$ 2,588	$ 4,499
Less contingent consideration - receivable	(196)	(265)	(461)
Net fair value of consideration @ 100%	1,715	2,323	4,038
Corning's loss on royalty contract	(136)	(184)	(320)
Fair value post-acquisition	$ 1,579	$ 2,139	$ 3,718
Corning's fair value 57.5% post-acquisition	2,139		
Total fair value at January 15, 2014	**$ 3,718**		

The $1.9 billion fair value of consideration transferred for the remaining 42.5% interest in Samsung Corning Precision Materials plus the fair value of Corning's pre-acquisition fair value less the contingent consideration due Corning as of the acquisition date results in a net fair value for the total entity of $4 billion.

As a result of the acquisition of Samsung Corning Precision Materials, Corning reacquired its technology license rights and effectively settled its pre-existing royalty contract with the acquired entity, Samsung Corning Precision Materials. With regard to the reacquired right, Corning engaged a third-party specialist to assist in assessing the fair value of this right and determined that the reacquired right had a value of zero. In addition, the Company assessed whether this royalty contract was favorable or unfavorable to Corning. It was determined that the contractual royalty rate of 3% as compared to the then current market rate of 12% was unfavorable to Corning. The effective settlement of the contract was valued using the Income Approach; specifically, a relief from royalty method. The amount by which the contract was unfavorable to Corning when compared to current market transactions for similar items resulted in a loss of $320 million which was recorded on the acquisition date, representing 100% of the loss on the effective settlement of the contract. There were no stated contractual settlement provisions or previously recorded assets or liabilities to consider when determining the value associated with the settlement.

Because the pre-existing contract was unfavorable to Corning, a portion of the consideration transferred was deemed to be applicable to the effective settlement of the royalty contract between Corning and the acquiree, Samsung Corning Precision Materials. The $320 million loss attributable to the settlement of the pre-existing arrangement was accounted for as a separate transaction from the business combination as follows:

- At acquisition, since the contract with Samsung Corning Precision Materials was effectively settled, Corning recognized a loss of $320 million. Of the $320 million, $184 million effectively offset the portion of the gain on previously held equity investment attributable to Corning's interest in the royalty contract. As a result, the pre-acquisition fair value of Corning's 57.5% share of $2.3 billion decreased to the fair value of $2.1 billion post-acquisition; and
- At acquisition, since the seller, Samsung Display, was a 42.5% shareholder of Samsung Corning Precision Materials, 42.5%, or $136 million, of the $320 million loss to effectively settle the contract reduced the consideration transferred to acquire Samsung Display's interest in Samsung Corning Precision Materials. Accordingly, $136 million of the consideration transferred was treated separately from the purchase price, resulting in the implied consideration transferred of approximately $1.6 billion.

The net economic effect to Corning following the transaction was a net loss of $136 million, constituting a $320 million loss due to Corning's unfavorable contract and its share of the favorable contract in Samsung Corning Precision Materials of $184 million.

The gain on the previously held equity investment was calculated based on the fair value of the entity immediately preceding the Acquisition. As the pre-existing contract was treated as a separate transaction, the pre-existing contract was not taken into consideration when calculating the gain on the previously held equity interest.

The net gain on previously owned equity was calculated as follows:

December 2013 Investment Balance	$	3,709
Dividend[1]		(1,574)
Other		(18)
Net investment book balance at 1/15/2014	$	2,117
Fair value Samsung Corning Precision Materials	$	4,038
57.5% of Samsung Corning Precision Materials[2]		2,323
Working capital adjustment and other		52
57.5% of the pre-acquisition fair value of assets	$	2,375
Gain on previously held equity investment[2]	$	258
Translation gain		136
Net gain	**$**	**394**

(1) In conjunction with the Framework Agreement, the parties agreed to have Samsung Corning Precision Materials distribute all cash and cash equivalents as a dividend to the shareholders of record as of December 31, 2013. The dividend was not part of the purchase price as the agreement was to distribute cash and cash equivalents as a dividend to the shareholders as soon as practicable. As such, at acquisition Corning did not have legal title to the cash to be distributed, although the dividend was distributed subsequent to the acquisition date. Therefore, the portion of Corning's share of the $1.6 billion dividend received was accounted for in Corning's consolidated financial statements as if the dividend occurred at or immediately prior to the date of acquisition at which time Samsung Corning Precision Materials was still an equity method investment in Corning's consolidated financial statements.

(2) As Corning was a 57.5% shareholder at the date of acquisition, immediately preceding the acquisition of Samsung Corning Precision Materials, Corning recognized an asset and respective gain as part of the calculation of its previously held equity investment which included approximately $184 million attributed to its economic interest in the royalty contract.

The following table summarizes the amounts of identified assets acquired and liabilities assumed at acquisition date and recorded measurement period adjustments. Corning has completed its accounting for the Acquisition and its review of deferred taxes.

Recognized amounts of identified assets acquired and liabilities assumed (in millions):

Cash and cash equivalents[1]	$	133
Trade receivables[3]		357
Inventory[3]		105
Property, plant and equipment[3]		3,595
Other current and non-current assets[3]		71
Debt – current		(32)
Accounts payable and accrued expenses[3]		(357)
Other current and non-current liabilities[3]		(294)
Total identified net assets[3]		3,578
Non-controlling interests		15
Fair value of Samsung Corning Precision Materials on acquisition date		(3,718)
Goodwill[2][3]	**$**	**125**

(1) Cash and cash equivalents are presented net of the 2014 dividend distributed subsequent to the Acquisition, in the amount of $2.8 billion.

(2) The goodwill recognized is not deductible for U.S. income tax purposes. The goodwill was allocated to the Display Technologies segment.

(3) During 2014, the Company recorded total measurement period adjustments of $60 million for the Acquisition of Corning Precision Materials primarily related to accrual of contingent liabilities and employee benefit obligations.

The goodwill is primarily attributable to the workforce of the acquired business and the synergies expected to result from the integration of Corning Precision Materials. Acquisition-related costs of $93 million in the year ended December 31, 2014 included costs for post-Acquisition compensation expense, legal, accounting, valuation and other professional services and were included in selling, general and administrative expenses in the Consolidated Statements of Income. Since the date of acquisition, the consolidation of Corning Precision Materials added $1,761 million to Net sales. The impact to Net income of the consolidation of Corning Precision Materials is impracticable to calculate due to the level of integration within the Display Technologies segment and the significant amount of estimates that would be required.

Unaudited Pro Forma Financial Information

The unaudited pro forma combined consolidated statement of income for the year ended December 31, 2013, was derived from the unaudited financial statements of Corning and Samsung Corning Precision Materials for the year ended December 31, 2013, and is presented to show how Corning might have appeared had the Acquisition occurred as of January 1, 2013.

The unaudited pro forma combined consolidated financial information was prepared pursuant to the rules and regulations of the SEC. The unaudited pro forma adjustments reflecting the Acquisition have been prepared in accordance with the business combination accounting guidance and reflect the allocation of the purchase price to the acquired assets and liabilities based upon the fair values, using the assumptions set forth above.

Unaudited Pro Forma Financial Information (in millions, except per share data):

	Twelve months ended December 31, 2013
Net sales	$ 9,871
Net income attributable to Corning Incorporated – basic earnings per share	$ 2,327
Net income – attributable to Corning Incorporated – diluted earnings per share	$ 2,425
Earnings per common share attributable to common shareholders	
Basic	$ 1.60
Diluted	$ 1.54
Shares used in computing per share amounts	
Basic	1,452
Diluted	1,577

There were no other significant acquisitions for the year ended December 31, 2014.

On October 31, 2012, Corning acquired all of the shares of Discovery Labware, Inc. and Plasso Technology Limited and certain other assets (collectively referred to as "Purchased Assets") from Becton Dickinson and Company for approximately $739 million. The Purchased Assets constitute a business; therefore, the acquisition was accounted for as a business combination. The business, referred to as Discovery Labware, designs, manufactures, markets and supplies cell culture, other laboratory reagents, core and advanced consumables for basic and applied research for life scientists, clinical researchers, and laboratory professionals globally.

The purchase price of the acquisition was allocated to the net tangible and other intangible assets acquired, with the remainder recorded as goodwill on the basis of fair value as follows (in millions):

Inventory and other current assets	$	74
Fixed Assets		81
Other intangible assets		279
Net tangible and intangible assets	$	434
Purchase price		739
Goodwill[(1)]	**$**	**305**

(1) The goodwill recognized is deductible for U.S. income tax purposes. The goodwill was allocated to the Life Sciences segment.

Goodwill is primarily related to the value of the Discovery Labware product portfolio and distribution network and its combination with Corning's existing life sciences platform, as well as synergies and other intangibles that do not qualify for separate recognition. Other intangible assets consist mainly of distributor relationships, trademark and trade names and are amortized over a useful life of 20 years. Acquisition-related costs of $22 million in the twelve months ended December 31, 2012 included costs for legal, accounting, valuation and other professional services and were included in selling, general and administrative expense in the Consolidated Statements of Income. Supplemental pro forma information was not provided because the purchased assets are not material to Corning's consolidated financial statements.

9. Property, Plant and Equipment, Net of Accumulated Depreciation

Property, plant and equipment, net of accumulated depreciation follow (in millions):

	December 31, 2014	December 31, 2013
Land	$ 458	$ 121
Buildings	5,470	4,175
Equipment	13,848	12,286
Construction in progress	1,322	1,084
	21,098	17,666
Accumulated depreciation	(8,332)	(7,865)
Total	**$ 12,766**	**$ 9,801**

The increase in Property, plant and equipment, net of accumulated depreciation in 2014 is primarily driven by the Acquisition of Samsung Corning Precision Materials, which added $3.6 billion to this balance at acquisition.

Approximately $40 million, $35 million and $74 million of interest costs were capitalized as part of Property, plant and equipment, net of accumulated depreciation, in 2014, 2013 and 2012, respectively.

Manufacturing equipment includes certain components of production equipment that are constructed of precious metals. At December 31, 2014 and 2013, the recorded value of precious metals totaled $3.1 billion and $2.2 billion, respectively. Depletion expense for precious metals in the years ended December 31, 2014, 2013 and 2012 was $21 million, $20 million and $20 million, respectively. The consolidation of Corning Precision Materials added approximately $1.1 billion in precious metals and approximately $4 million of depletion expense for the year ended December 31, 2014.

10. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill for the twelve months ended December 31, 2014 and 2013 were as follows (in millions):

	Optical Communications	Display Technologies	Specialty Materials	Life Sciences	Total
Balance at December 31, 2012	$ 209	$ 9	$ 150	$ 606	$ 974
Acquired goodwill(2)	32				32
Measurement period adjustment(1)				(4)	(4)
Foreign currency translation adjustment	(1)			1	
Balance at December 31, 2013	$ 240	$ 9	$ 150	$ 603	$ 1,002
Acquired goodwill(3)		68	54		122
Measurement period adjustment(4)		60			60
Foreign currency translation adjustment	(2)	(3)	(6)	(23)	(34)
Balance at December 31, 2014	**$ 238**	**$ 134**	**$ 198**	**$ 580**	**$ 1,150**

(1) The Company recorded the acquisition of the Discovery Labware business of Becton Dickinson and Company in the fourth quarter of 2012. In the second quarter of 2013, Corning recorded measurement period adjustments. Refer to Note 8 (Acquisition) to the Consolidated Financial Statements for additional information.

(2) The company recorded a small acquisition and consolidated an equity company due to a change in control in the second quarter of 2013.

(3) The Company recorded the Acquisition of Samsung Corning Precision Materials and a small acquisition in the Specialty Materials segment in the first quarter of 2014. Refer to Note 8 (Acquisition) to the Consolidated Financial Statements for additional information on the Acquisition of Samsung Corning Precision Materials.

(4) In the year ended December 31, 2014, the Company recorded measurement period adjustments of $60 million for the Acquisition of Samsung Corning Precision Materials primarily related to the accrual of contingent liabilities and employee benefit obligations.

Corning's gross goodwill balance for the fiscal years ended December 31, 2014 and 2013 were $7.6 billion and $7.5 billion, respectively. Accumulated impairment losses were $6.5 billion for the fiscal years ended December 31, 2014 and 2013, respectively, and were generated entirely through goodwill impairments related to the Optical Communications segment.

Other Intangible Assets

Other intangible assets follow (in millions):

	December 31, 2014			December 31, 2013		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Amortized intangible assets:						
Patents, trademarks & trade names	$ 302	$ 149	$ 153	$ 290	$ 138	$ 152
Customer list and other	411	67	344	436	48	388
Total	**$ 713**	**$ 216**	**$ 497**	**$ 726**	**$ 186**	**$ 540**

Amortized intangible assets are primarily related to the Optical Communications and Life Sciences segments. The net carrying amount of intangible assets decreased by $43 million during the year ended December 31, 2014, primarily due to amortization of $33 million and foreign currency translation adjustments of $17 million, offset by a small acquisition.

Amortization expense related to these intangible assets is estimated to be $33 million for 2015 and $32 million annually from 2016 to 2019.

11. Other Assets and Other Liabilities

Other assets follow (in millions):

	December 31, 2014	December 31, 2013
Current assets:		
Derivative instruments	$ 687	$ 372
Other current assets	412	483
Other current assets	**$ 1,099**	**$ 855**
Non-current assets:		
Derivative instruments	$ 847	$ 90
Contingent consideration asset	445	
Other non-current assets	430	383
Other assets	**$ 1,722**	**$ 473**

Other liabilities follow (in millions):

	December 31, 2014	December 31, 2013
Current liabilities:		
Wages and employee benefits	$ 562	$ 445
Income taxes	106	139
Other current liabilities	623	370
Other accrued liabilities	**$ 1,291**	**$ 954**
Non-current liabilities:		
Asbestos litigation	$ 681	$ 690
Other non-current liabilities	1,365	793
Other liabilities	**$ 2,046**	**$ 1,483**

Asbestos Litigation

Corning and PPG each own 50% of the capital stock of PCC. Over a period of more than two decades, PCC and several other defendants were named in numerous lawsuits involving claims alleging personal injury from exposure to asbestos. The liability for the Amended PCC Plan and the non-PCC asbestos claims was estimated to be $681 million at December 31, 2014, compared with an estimate of liability of $690 million at December 31, 2013. The $681 million liability is comprised of $241 million of the fair value of PCE, $290 million for the fixed series of payments, and $150 million for the non-PCC asbestos litigation, all referenced in the preceding paragraphs. With respect to the liability for other asbestos litigation, the estimated liability for non-PCC claims represents the undiscounted projection of claims and related legal fees over the next 20 years. The amount may need to be adjusted in future periods as more data becomes available; however, we cannot estimate any additional losses at this time. The entire obligation is classified as a non-current liability, as installment payments for the cash portion of the obligation are not planned to commence until more than 12 months after the Amended PCC Plan becomes effective and the PCE portion of the obligation will be fulfilled through the direct contribution of Corning's investment in PCE (currently recorded as a non-current other equity method investment). Refer to Note 7 (Investments) to the Consolidated Financial Statements for additional information on the asbestos litigation.

12. Debt

	December 31,	
(In millions)	**2014**	**2013**
Current portion of long-term debt	$ 36	$ 21
Long term debt		
Debentures, 8.875%, due 2016	$ 66	$ 67
Debentures, 1.45%, due 2017	250	250
Debentures, 6.625%, due 2019	243	238
Debentures, 4.25%, due 2020	287	276
Debentures, 8.875%, due 2021	69	70
Debentures, 3.70%, due 2023	249	249
Medium-term notes, average rate 7.66%, due through 2023	45	45
Debentures, 7.00%, due 2024	99	99
Debentures, 6.85%, due 2029	170	172
Debentures, callable, 7.25%, due 2036	249	249
Debentures, 4.70%, due 2037	250	250
Debentures, 5.75%, due 2040	398	398
Debentures, 4.75%, due 2042	499	499
Other, average rate 4.94%, due through 2042	389	431
Total long term debt	3,263	3,293
Less current portion of long-term debt	36	21
Long-term debt	**$ 3,227**	**$ 3,272**

At December 31, 2014 and 2013, the weighted-average interest rate on current portion of long-term debt was 2.5% and 2.6%, respectively.

Based on borrowing rates currently available to us for loans with similar terms and maturities, the fair value of long-term debt was $3.6 billion at December 31, 2014 and $3.5 billion at December 31, 2013. The measurement of the fair value of long term debt was determined using Level 2 inputs.

The following table shows debt maturities by year at December 31, 2014 (in millions)*:

2015	2016	2017	2018	2019	Thereafter
$ 36	$ 71	$ 257	$ 3	$ 253	$ 2,639

* Excludes interest rate swap gains and bond discounts.

Debt Issuances and Retirements

2014

- In the third quarter of 2014, we amended and restated our existing revolving credit facility. The amended facility provides a $2 billion unsecured multi-currency line of credit and expires on September 30, 2019. At December 31, 2014, there were no outstanding amounts on this credit facility. The facility includes affirmative and negative covenants that Corning must comply with, including a leverage (debt to capital ratio) financial covenant. As of December 31, 2014, we were in compliance with all of the covenants.

2013

- In the first quarter of 2013, we amended and restated our then-existing revolving credit facility. The 2013 amended facility provided a $1 billion unsecured multi-currency line of credit that would have expired in March 2018. This facility was amended and restated by the $2 billion facility entered into in the third quarter of 2014.
- In the first quarter of 2013, Corning repaid the aggregate principal amount and accrued interest outstanding on the credit facility entered into in the second quarter of 2011 that allowed Corning to borrow up to Chinese renminbi (RMB) 4 billion. The total amount repaid was approximately $500 million. Upon repayment, this facility was terminated.
- In the second quarter of 2013, the Company established a commercial paper program on a private placement basis, pursuant to which we may issue short-term, unsecured commercial paper notes up to a maximum aggregate principal amount outstanding at any time of $1 billion. Under this program, the Company may issue the notes from time to time and will use the proceeds for general corporate purposes. The maturities of the notes will vary, but may not exceed 390 days from the date of issue. The interest rates will vary based on market conditions and the ratings assigned to the notes by credit rating agencies at the time of issuance. The Company's revolving credit facility is available to support obligations under the commercial paper program, if needed. At December 31, 2013, we did not have any outstanding commercial paper.
- In the fourth quarter of 2013, we issued $250 million of 3.70% senior unsecured notes that mature on November 15, 2023. The net proceeds of approximately $248 million were used for general corporate purposes.
- In the fourth quarter of 2013, we recorded a financing obligation in the approximate amount of $230 million for a new LCD glass substrate facility in China.

2012

- In the first quarter of 2012, we issued $500 million of 4.75% senior unsecured notes that mature on March 15, 2042 and $250 million of 4.70% senior unsecured notes that mature on March 15, 2037. The net proceeds of $742 million were used for general corporate purposes.
- In the fourth quarter of 2012, we completed the following debt-related transactions:
  - We issued $250 million of 1.45% senior unsecured notes that mature on November 15, 2017. The net proceeds of $248 million from the offering were used for general corporate purposes.
  - We repurchased $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. Additionally, we redeemed $100 million of our 5.90% senior unsecured notes due 2014 and $74 million of our 6.20% senior unsecured notes due 2016. We recognized a pre-tax loss of $26 million upon the early redemption of these notes.
- In 2012, we borrowed the equivalent of approximately $377 million from a Chinese renminbi credit facility that a wholly-owned subsidiary entered into in the second quarter of 2011.

13. Employee Retirement Plans

Defined Benefit Plans

We have defined benefit pension plans covering certain domestic and international employees. Our funding policy has been to contribute, as necessary, an amount in excess of the minimum requirements in order to achieve the Company's long-term funding targets. In 2014, we made voluntary cash contributions of $85 million to our domestic defined benefit pension plan and contributed $45 million to our international pension plans. In 2013, we did not contribute to our domestic defined benefit pension plan and contributed $5 million to our international pension plans. Although we will not be subject to any mandatory contributions in 2015, we anticipate making voluntary cash contributions of up to $65 million to our domestic pension plan and up to $28 million to our international pension plans in 2015.

Corning offers postretirement plans that provide health care and life insurance benefits for retirees and eligible dependents. Certain employees may become eligible for such postretirement benefits upon reaching retirement age and service requirements. For current retirees (including surviving spouses) and active employees eligible for the salaried retiree medical program, we have placed a "cap" on the amount we will contribute toward retiree medical coverage in the future. The cap is equal to 120% of our 2005 contributions toward retiree medical benefits. Once our contributions toward salaried retiree medical costs reach this cap, impacted retirees will have to pay the excess amount in addition to their regular contributions for coverage. This cap was attained for post-65 retirees in 2008 and has impacted their contribution rate in 2009 and going forward. The pre-65 retirees triggered the cap in 2010, which has impacted their contribution rate in 2011 and going forward. Furthermore, employees hired or rehired on or after January 1, 2007 will be eligible for Corning retiree medical benefits upon retirement; however, these employees will pay 100% of the cost.

Obligations and Funded Status

The change in benefit obligation and funded status of our employee retirement plans follows (in millions):

	Total pension benefits		Domestic pension benefits		International pension benefits	
December 31,	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Change in benefit obligation						
Benefit obligation at beginning of year	$ 3,300	$ 3,630	$ 2,844	$ 3,198	$ 456	$ 432
Service cost	82	70	55	60	27	10
Interest cost	160	131	137	115	23	16
Plan participants' contributions	1	1	1	1		
Acquisitions	103				103	
Amendments	25		25			
Actuarial loss (gain)	394	(362)	327	(368)	67	6
Other	(3)	2		2	(3)	
Benefits paid	(207)	(177)	(167)	(164)	(40)	(13)
Foreign currency translation	(46)	5			(46)	5
Benefit obligation at end of year	**$ 3,809**	**$ 3,300**	**$ 3,222**	**$ 2,844**	**$ 587**	**$ 456**
Change in plan assets						
Fair value of plan assets at beginning of year	$ 2,896	$ 2,975	$ 2,596	$ 2,684	$ 300	$ 291
Actual gain on plan assets	355	71	287	65	68	6
Employer contributions	147	20	97	10	50	10
Plan participants' contributions	1	1	1	1		
Acquisitions	97				97	
Benefits paid	(207)	(177)	(167)	(164)	(40)	(13)
Foreign currency translation	(26)	6			(26)	6
Fair value of plan assets at end of year	**$ 3,263**	**$ 2,896**	**$ 2,814**	**$ 2,596**	**$ 449**	**$ 300**
Funded status at end of year						
Fair value of plan assets	$ 3,263	$ 2,896	$ 2,814	$ 2,596	$ 449	$ 300
Benefit obligations	(3,809)	(3,300)	(3,222)	(2,844)	(587)	(456)
Funded status of plans	**$ (546)**	**$ (404)**	**$ (408)**	**$ (248)**	**$ (138)**	**$ (156)**
Amounts recognized in the consolidated balance sheets consist of:						
Noncurrent asset	$ 47	$ 23		$ 15	$ 47	$ 8
Current liability	(41)	(15)	$ (30)	(10)	(11)	(5)
Noncurrent liability	(552)	(412)	(378)	(253)	(174)	(159)
Recognized liability	**$ (546)**	**$ (404)**	**$ (408)**	**$ (248)**	**$ (138)**	**$ (156)**
Amounts recognized in accumulated other comprehensive income consist of:						
Net actuarial loss	$ 308	$ 132	$ 278	$ 83	$ 30	$ 49
Prior service cost (credit)	41	21	44	27	(3)	(6)
Amount recognized at end of year	**$ 349**	**$ 153**	**$ 322**	**$ 110**	**$ 27**	**$ 43**

The accumulated benefit obligation for defined benefit pension plans was $3.6 billion and $3.2 billion at December 31, 2014 and 2013, respectively.

December 31,	Postretirement benefits 2014		Postretirement benefits 2013	
Change in benefit obligation				
Benefit obligation at beginning of year	$	815	$	987
Service cost		11		13
Interest cost		38		39
Plan participants' contributions		7		14
Amendments		(5)		(4)
Actuarial loss (gain)		49		(178)
Other				5
Benefits paid		(56)		(61)
Medicare subsidy received		3		1
Foreign currency translation				(1)
Benefit obligation at end of year	**$**	**862**	**$**	**815**
Funded status at end of year				
Fair value of plan assets	$	0	$	0
Benefit obligations		(862)		(815)
Funded status of plans	**$**	**(862)**	**$**	**(815)**
Amounts recognized in the consolidated balance sheets consist of:				
Current liability	$	(48)	$	(49)
Noncurrent liability		(814)		(766)
Recognized liability	**$**	**(862)**	**$**	**(815)**
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss	$	132	$	82
Prior service credit		(27)		(29)
Amount recognized at end of year	**$**	**105**	**$**	**53**

The following information is presented for pension plans where the projected benefit obligation as of December 31, 2014 and 2013 exceeded the fair value of plan assets (in millions):

	December 31, 2014		December 31, 2013	
Projected benefit obligation	$	3,425	$	447
Fair value of plan assets	$	2,831	$	20

In 2014, the fair value of plan assets exceeded the projected benefit obligation for the United Kingdom, the South Korea and one of the France pension plans.

The following information is presented for pension plans where the accumulated benefit obligation as of December 31, 2014 and 2013 exceeded the fair value of plan assets (in millions):

	December 31, 2014		December 31, 2013	
Accumulated benefit obligation	$	479	$	417
Fair value of plan assets	$	17	$	20

In 2014, the fair value of plan assets exceeded the accumulated benefit obligation for the United States, the United Kingdom, the South Korea and one of the France pension plans.

The components of net periodic benefit expense for our employee retirement plans follow (in millions):

	Total pension benefits			Domestic pension benefits			International pension benefits		
December 31,	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Service cost	$ 82	$ 70	$ 62	$ 55	$ 60	$ 53	$ 27	$ 10	$ 9
Interest cost	160	131	154	137	115	138	23	16	16
Expected return on plan assets	(174)	(169)	(161)	(159)	(158)	(151)	(15)	(11)	(10)
Amortization of prior service cost (credit)	6	5	8	7	6	9	(1)	(1)	(1)
Recognition of actuarial (gain) loss	29	(30)	217	4	(41)	187	25	11	30
Total net periodic benefit expense	**$ 103**	**$ 7**	**$ 280**	**$ 44**	**$ (18)**	**$ 236**	**$ 59**	**$ 25**	**$ 44**
Other changes in plan assets and benefit obligations recognized in other comprehensive income:									
Curtailment effects	$ (3)						$ (3)		
Settlements	(2)						(2)		
Current year actuarial loss (gain)	212	$ (264)	$ 257	$ 198	$ (274)	$ 218	14	$ 10	$ 39
Recognition of actuarial gain (loss)	(29)	30	(217)	(4)	41	(187)	(25)	(11)	(30)
Current year prior service cost	25		3	25		3			
Amortization of prior service (cost) credit	(6)	(5)	(8)	(7)	(6)	(9)	1	1	1
Total recognized in other comprehensive (income) loss	**$ 197**	**$ (239)**	**$ 35**	**$ 212**	**$ (239)**	**$ 25**	**$ (15)**	**$ 0**	**$ 10**
Total recognized in net periodic benefit cost and other comprehensive (income) loss	**$ 300**	**$ (232)**	**$ 315**	**$ 256**	**$ (257)**	**$ 261**	**$ 44**	**$ 25**	**$ 54**

	Postretirement benefits		
	2014	**2013**	**2012**
Service cost	$ 11	$ 13	$ 13
Interest cost	38	39	45
Amortization of net loss		15	15
Amortization of prior service credit	(6)	(6)	(6)
Total net periodic benefit expense	**$ 43**	**$ 61**	**$ 67**
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial loss (gain)	$ 49	$ (178)	$ 20
Amortization of actuarial loss		(15)	(16)
Current year prior service credit	(5)	(5)	
Amortization of prior service credit	6	6	6
Total recognized in other comprehensive (income) loss	**$ 50**	**$ (192)**	**$ 10**
Total recognized in net periodic benefit cost and other comprehensive (income) loss	**$ 93**	**$ (131)**	**$ 77**

The Company expects to recognize $6 million of net prior service cost as a component of net periodic pension cost in 2015 for its defined benefit pension plans. The Company expects to recognize $5 million of net loss and $6 million of net prior service credit as components of net periodic postretirement benefit cost in 2015.

Corning uses a hypothetical yield curve and associated spot rate curve to discount the plan's projected benefit payments. Once the present value of projected benefit payments is calculated, the suggested discount rate is equal to the level rate that results in the same present value. The yield curve is based on actual high-quality corporate bonds across the full maturity spectrum, which also includes private placements as well as Eurobonds that are denominated in U.S. currency. The curve is developed from yields on approximately 350-375 bonds from four grading sources, Moody's, S&P, Fitch and the Dominion Bond Rating Service. A bond will be included if at least half of the grades from these sources are Aa, non-callable bonds. The very highest 10% yields and the lowest 40% yields are excluded from the curve to eliminate outliers in the bond population.

Mortality is one of the key assumptions used in valuing liabilities of retirement plans. It is used to assign a probability of payment for future plan benefits that are contingent upon participants' survival. To make this assumption, benefit plan sponsors typically use a base mortality table and an improvement scale that adjusts the rates of mortality for future anticipated changes to historical death rates. For the past seven years, Corning has utilized the RP 2000 mortality table with improvement Scale AA in performing valuations of its U.S. pension and OPEB liabilities. On October 27, 2014, the Society of Actuaries ("SOA") published new mortality tables for benefit plan sponsors to consider when measuring their benefit plan costs and obligations. These tables reflect the fact that life expectancies have improved since the last comprehensive study of mortality data was released in 2000. In the fourth quarter of 2014, Corning undertook a review of its mortality assumption for its U.S. benefit plans to determine if an update to our current mortality table was appropriate. Based on the findings of this analysis, Corning believes that the RP-2014 table adjusted for Corning's experience with future improvements projected using scale BB-2D represents the best estimate of future mortality improvement for Corning's U.S. benefit plans. The impact of the mortality table change was an increase of $88 million to our pension obligation.

Measurement of postretirement benefit expense is based on assumptions used to value the postretirement benefit obligation at the beginning of the year.

The weighted-average assumptions used to determine benefit obligations at December 31 follow:

	Pension benefits								
	Domestic			International			Postretirement benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Discount rate	4.00%	4.75%	3.75%	3.21%	4.08%	4.48%	4.00%	4.75%	4.00%
Rate of compensation increase	3.50%	4.00%	4.00%	3.88%	3.85%	3.45%			

The weighted-average assumptions used to determine net periodic benefit cost for years ended December 31 follow:

	Pension benefits								
	Domestic			International			Postretirement benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Discount rate	4.75%	3.75%	4.75%	4.08%	4.48%	4.40%	4.75%	4.00%	4.75%
Expected return on plan assets	6.25%	6.00%	6.00%	4.12%	3.73%	6.01%			
Rate of compensation increase	4.00%	4.00%	4.25%	3.85%	3.45%	3.44%			

The assumed rate of return was determined based on the current interest rate environment and historical market premiums relative to fixed income rates of equities and other asset classes. Reasonableness of the results is tested using models provided by the plan actuaries.

Assumed health care trend rates at December 31	2014	2013
Health care cost trend rate assumed for next year	6.67%	7%
Rate that the cost trend rate gradually declines to	5%	5%
Year that the rate reaches the ultimate trend rate	2020	2020

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in millions):

	One-percentage-point increase	One-percentage-point decrease
Effect on annual total of service and interest cost	$ 4	$ (3)
Effect on postretirement benefit obligation	$ 49	$ (41)

Plan Assets

Corning's expected long-term rates of return on plan assets reflect the average rates of earnings expected on the funds invested to provide for the benefits included in our domestic and international projected benefit obligations. We based these rates on asset/liability forecast modeling, which is based on our current asset allocation, the return and standard deviation for each asset class, current market conditions and transitions from current conditions to long-term returns.

The Company's overall investment strategy is to obtain sufficient return to offset or exceed inflation and provide adequate liquidity to meet the benefit obligations of the pension plan. Investments are made in public securities to ensure adequate liquidity to support benefit payments. Domestic and international stocks and bonds provide diversification to the portfolio. The target allocation range for global equity investment is 20%-25% which includes large, mid and small cap companies and investments in both developed and emerging markets. The target allocation for bond investments is 60%, which predominately includes corporate bonds. Long duration fixed income assets are utilized to mitigate the sensitivity of funding ratios to changes in interest rates. The target allocation range for non-public investments in private equity and real estate is 5%-15%, and is used to enhance returns and offer additional asset diversification. The target allocation range for commodities is 0%-5%, which provides some inflation protection to the portfolio.

The following tables provide fair value measurement information for the Company's major categories of our domestic defined benefit plan assets:

		Fair value measurements at reporting date using		
(in millions)	December 31, 2014	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
U.S. companies	$ 310	$ 49	$ 261	
International companies	327	78	249	
Fixed income:				
U.S. corporate bonds	1,720	166	1,554	
Private equity(1)	192			$ 192
Real estate(2)	84			84
Cash equivalents	80	80		
Commodities(3)	101		101	
Total	**$ 2,814**	**$ 373**	**$ 2,165**	**$ 276**

(1) This category includes venture capital, leverage buyouts and distressed debt limited partnerships invested primarily in U.S. companies. The inputs are valued by discounted cash flow analysis and comparable sale analysis.

(2) This category includes industrial, office, apartments, hotels, infrastructure, and retail investments which are limited partnerships predominately in the U.S. The inputs are valued by discounted cash flow analysis; comparable sale analysis and periodic external appraisals.

(3) This category includes investments in energy, industrial metals, precious metals, agricultural and livestock primarily through futures, options, swaps, and exchange traded funds.

		Fair value measurements at reporting date using		
(in millions)	December 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
U.S. companies	$ 325	$ 216	$ 109	
International companies	294	118	176	
Fixed income:				
U.S. corporate bonds	1,538	142	1,396	
Private equity(1)	207			$ 207
Real estate(2)	93			93
Cash equivalents	39	39		
Commodities(3)	100		100	
Total	**$ 2,596**	**$ 515**	**$ 1,781**	**$ 300**

(1) This category includes venture capital, leverage buyouts and distressed debt limited partnerships invested primarily in U.S. companies. The inputs are valued by discounted cash flow analysis and comparable sale analysis.

(2) This category includes industrial, office, apartments, hotels, infrastructure, and retail investments which are limited partnerships predominately in the U.S. The inputs are valued by discounted cash flow analysis; comparable sale analysis and periodic external appraisals.

(3) This category includes investments in energy, industrial metals, precious metals, agricultural and livestock primarily through futures, options, swaps, and exchange traded funds.

The following tables provide fair value measurement information for the Company's major categories of our international defined benefit plan assets:

		Fair value measurements at reporting date using		
(in millions)	December 31, 2014	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
U.S. companies	$ 6		$ 6	
International companies	22		22	
Fixed income:				
International fixed income	361	$ 293	68	
Insurance contracts	5			$ 5
Mortgages	7			7
Cash equivalents	48	48		
Total	**$ 449**	**$ 341**	**$ 96**	**$ 12**

		Fair value measurements at reporting date using		
(in millions)	December 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
U.S. companies	$ 6		$ 6	
International companies	22		22	
Fixed income:				
International fixed income	245	$ 185	60	
Insurance contracts	6			$ 6
Mortgages				
Cash equivalents	21	21		
Total	**$ 300**	**$ 206**	**$ 88**	**$ 6**

The tables below set forth a summary of changes in the fair value of the defined benefit plans Level 3 assets for the years ended December 31, 2014 and 2013:

	Level 3 assets – Domestic		Level 3 assets – International	
	Year ended December 2014		Year ended December 2014	
(in millions)	Private equity	Real estate	Mortgages	Insurance contracts
Beginning balance at December 31, 2013	$ 207	$ 93	$ 0	$ 6
Actual return on plan assets relating to assets still held at the reporting date	31	8		1
Transfers in and/or out of level 3	(46)	(17)	7	(2)
Ending balance at December 31, 2014	**$ 192**	**$ 84**	**$ 7**	**$ 5**

	Level 3 assets – Domestic		Level 3 assets – International	
	Year ended December 2013		Year ended December 2013	
(in millions)	Private equity	Real estate	Mortgages	Insurance contracts
Beginning balance at December 31, 2012	$ 221	$ 103	$ 0	$ 6
Actual return on plan assets relating to assets still held at the reporting date	25	9		
Transfers in and/or out of level 3	(39)	(19)		
Ending balance at December 31, 2013	**$ 207**	**$ 93**	**$ 0**	**$ 6**

Credit Risk

61% of domestic plan assets are invested in long duration bonds. The average rating for these bonds is A. These bonds are subject to credit risk, such that a decline in credit ratings for the underlying companies, countries or assets (for asset-backed securities) would result in a decline in the value of the bonds. These bonds are also subject to default risk.

Currency Risk

12% of domestic assets are valued in non-U.S. dollar denominated investments that are subject to currency fluctuations. The value of these securities will decline if the U.S. dollar increases in value relative to the value of the currencies in which these investments are denominated.

Liquidity Risk

10% of the domestic securities are invested in Level 3 securities. These are long-term investments in private equity and private real estate investments that may not mature or be sellable in the near-term without significant loss.

At December 31, 2014 and 2013, the amount of Corning common stock included in equity securities was not significant.

Cash Flow Data

In 2015, we anticipate making voluntary cash contributions of approximately $65 million to our domestic defined benefit plan and approximately $28 million to our international defined benefit plans.

The following reflects the gross benefit payments that are expected to be paid for our domestic and international defined benefit pension plans, the postretirement medical and life plans and the gross amount of annual Medicare Part D federal subsidy expected to be received (in millions):

	Expected benefit payments			Expected federal subsidy payments
	Domestic pension benefits	International pension benefits	Postretirement benefits	postretirement benefits
2015	$ 202	$ 27	$ 48	$ 2
2016	$ 185	$ 22	$ 49	$ 2
2017	$ 189	$ 23	$ 49	$ 3
2018	$ 194	$ 26	$ 48	$ 3
2019	$ 199	$ 26	$ 48	$ 3
2020-2024	$ 1,091	$ 165	$ 239	$ 15

Other Benefit Plans

We offer defined contribution plans covering employees meeting certain eligibility requirements. Total consolidated defined contribution plan expense was $62 million, $63 million and $50 million for the years ended December 31, 2014, 2013 and 2012, respectively.

14. Commitments, Contingencies, and Guarantees

The amounts of our obligations follow (in millions):

		Amount of commitment and contingency expiration per period			
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**5 years and thereafter**
Performance bonds and guarantees	$ 75	$ 21	$ 3	$ 1	$ 50
Stand-by letters of credit(1)	61	57			4
Loan guarantees	14				14
Subtotal of commitment expirations per period	$ 150	$ 78	$ 3	$ 1	$ 68
Purchase obligations(6)	$ 287	$ 152	$ 105	$ 15	$ 15
Capital expenditure obligations(2)	358	358			
Total debt(3)	2,899	29	314	250	2,306
Interest on long-term debt(4)	2,451	151	293	274	1,733
Capital leases and financing obligations(3)	360	7	14	7	332
Imputed interest on capital leases and financing obligations	258	19	38	38	163
Minimum rental commitments	238	48	75	44	71
Uncertain tax positions(5)	2	1	1		
Subtotal of contractual obligation payments due by period	6,853	765	840	628	4,620
Total commitments and contingencies	**$ 7,003**	**$ 843**	**$ 843**	**$ 629**	**$ 4,688**

(1) At December 31, 2014, $41 million of the $61 million was included in other accrued liabilities on our consolidated balance sheets.

(2) Capital expenditure obligations primarily reflect amounts associated with our capital expansion activities.

(3) Total debt above is stated at maturity value, and excludes interest rate swap gains and bond discounts.

(4) The estimate of interest payments assumes interest is paid through the date of maturity or expiration of the related debt, based upon stated rates in the respective debt instruments.

(5) At December 31, 2014, $8 million was included on our balance sheet related to uncertain tax positions. Of this amount, we are unable to estimate when $6 million of that amount will become payable.

(6) Purchase obligations are enforceable and legally binding obligations which primarily consist of raw material and energy-related take-or-pay contracts.

We are required, at the time a guarantee is issued, to recognize a liability for the fair value or market value of the obligation it assumes. In the normal course of our business, we do not routinely provide significant third-party guarantees. Generally, third-party guarantees provided by Corning are limited to certain financial guarantees, including stand-by letters of credit and performance bonds, and the incurrence of contingent liabilities in the form of purchase price adjustments related to attainment of milestones. These guarantees have various terms, and none of these guarantees are individually significant.

We believe a significant majority of these guarantees and contingent liabilities will expire without being funded.

Minimum rental commitments under leases outstanding at December 31, 2014 follow (in millions):

2015	**2016**	**2017**	**2018**	**2019**	**2020 and thereafter**
$ 48	$ 45	$ 30	$ 25	$ 19	$ 71

Total rental expense was $92 million for 2014, $85 million for 2013 and $80 million for 2012.

Product warranty liability accruals at December 31, 2014 and December 31, 2013 are insignificant.

Corning is a defendant in various lawsuits, including environmental, product-related suits, the Dow Corning and PCC matters discussed in Note 7 (Investments) to the Consolidated Financial Statements, and is subject to various claims that arise in the normal course of business. In the opinion of management, the likelihood that the ultimate disposition of these matters will have a material adverse effect on Corning's consolidated financial position, liquidity, or results of operations, is remote. Other than certain asbestos related claims, there are no other material loss contingencies related to litigation.

Corning has been named by the Environmental Protection Agency (the Agency) under the Superfund Act, or by state governments under similar state laws, as a potentially responsible party for 15 active hazardous waste sites. Under the Superfund Act, all parties who may have contributed any waste to a hazardous waste site, identified by the Agency, are jointly and severally liable for the cost of cleanup unless the Agency agrees otherwise. It is Corning's policy to accrue for its estimated liability related to Superfund sites and other environmental liabilities related to property owned by Corning based on expert analysis and continual monitoring by both internal and external consultants. At December 31, 2014 and December 31, 2013, Corning had accrued approximately $42.5 million (undiscounted) and $15 million (undiscounted), respectively, for the estimated liability for environmental cleanup and related litigation. Based upon the information developed to date, management believes that the accrued reserve is a reasonable estimate of the Company's liability and that the risk of an additional loss in an amount materially higher than that accrued is remote.

The ability of certain subsidiaries and affiliated companies to transfer funds is limited by provisions of foreign government regulations, affiliate agreements and certain loan agreements. At December 31, 2014, the amount of equity subject to such restrictions for consolidated subsidiaries and affiliated companies was not significant. While this amount is legally restricted, it does not result in operational difficulties since we have generally permitted subsidiaries to retain a majority of equity to support their growth programs.

15. Hedging Activities

Corning is exposed to interest rate and foreign currency risks due to the movement of these rates.

The areas in which exchange rate fluctuations affect us include:

- Financial instruments and transactions denominated in foreign currencies, which impact earnings; and
- The translation of net assets in foreign subsidiaries for which the functional currency is not the U.S. dollar, which impacts our net equity.

Our most significant foreign currency exposures relate to the Japanese yen, South Korean won, New Taiwan dollar, Chinese renminbi, and the Euro. We seek to mitigate the impact of exchange rate movements in our income statement by using over-the-counter (OTC) derivative instruments including foreign exchange forward and option contracts typically with durations of 36 months or less. In general, these hedges expire coincident with the timing of the underlying foreign currency commitments and transactions.

We are exposed to potential losses in the event of non-performance by our counterparties to these derivative contracts. However, we minimize this risk by maintaining a diverse group of highly-rated major international financial institutions with which we have other financial relationships as our counterparties. We do not expect to record any losses as a result of such counterparty default. Neither we nor our counterparties are required to post collateral for these financial instruments. In April 2014, the Finance Committee of the Board of Directors approved the Company's qualification for and election of the end-user exception to the mandatory swap clearing requirement of the Dodd-Frank Act.

Cash Flow Hedges

Our cash flow hedging activities utilize OTC foreign exchange forward contracts to reduce the risk that movements in exchange rates will adversely affect the net cash flows resulting from the sale of products to foreign customers and purchases from foreign suppliers. Our cash flow hedging activity also uses interest rate swaps to reduce the risk of increases in benchmark interest rates on the probable issuance of debt and associated interest payments. In the fourth quarter of 2014, the Company entered into interest rate swap agreements to hedge against the variability in cash flows due to changes in the benchmark interest rate related to an anticipated issuance. The instruments were designated as cash flow hedges.

Corning uses a regression analysis to monitor the effectiveness of its cash flow hedges both prospectively and retrospectively. Through December 31, 2014, the hedge ineffectiveness related to these instruments is not material. Corning defers net gains and losses related to effective portion of cash flow hedges into accumulated other comprehensive (loss) income on the consolidated balance sheet until such time as the hedged item impacts earnings. At December 31, 2014, the amount expected to be reclassified into earnings within the next 12 months is a pre-tax net gain of $15.2 million.

Fair Value Hedges

In October of 2012, we entered into two interest rate swaps that are designated as fair value hedges and economically exchange a notional amount of $550 million of previously issued fixed rate long-term debt to floating rate debt. Under the terms of the swap agreements, we pay the counterparty a floating rate that is indexed to the one-month LIBOR rate.

Corning utilizes the long haul method for effectiveness analysis, both retrospectively and prospectively. The analysis excludes the impact of credit risk from the assessment of hedge effectiveness. The amount recorded in current period earnings in the other income, net component, relative to ineffectiveness, is nominal for the year ended December 31, 2013. There were no outstanding fair value hedges in 2012.

Net gains and losses from fair value hedges and the effects of the corresponding hedged item are recorded on the same line item of the consolidated statement of operations.

Undesignated Hedges

Corning also uses OTC foreign exchange forward and option contracts that are not designated as hedging instruments for accounting purposes. The undesignated hedges limit exposures to foreign functional currency fluctuations related to certain subsidiaries' monetary assets, monetary liabilities and net earnings in foreign currencies.

A significant portion of the Company's non-U.S. revenues are denominated in Japanese yen. When these revenues are translated back to U.S. dollars, the Company is exposed to foreign exchange rate movements in the Japanese yen. To protect translated earnings against movements in the Japanese yen, the Company has entered into a series of purchased collars and average rate forwards.

The Company also uses these types of contracts to reduce the potential for unfavorable changes in foreign exchange rates to decrease the U.S. dollar value of translated earnings. With a purchased collar structure, the Company writes a local currency call option and purchases a local currency put option or vice versa. The purchased collars offset the impact of translated earnings above the put price and below the call strike price and that offset is reported in other income, net. The Company entered into a series of purchased collars, settling quarterly, to hedge the effect of translation impact for each respective quarter, and span up to the fourth quarter of 2014. Due to the nature of the instruments, only either the put option or the call option can be exercised at maturity. As of December 31, 2014, the U.S. dollar net notional value of the Korean won purchased collars is $1.2 billion. The Company entered into a series of average rate forwards with no associated premium, which will partially hedge the impact of Japanese yen translation on the Company's projected 2015 through 2017 net income. These forwards have a notional value of $9.8 billion and will settle net without obligation to deliver Japanese yen.

The Company benefits from the increase in the U.S. dollar equivalent value of its foreign currency earnings in translation. The purchased collar, within other income, would cap the benefit at the strike price of the written call or offset the decline from translation above the strike price of the purchased put.

The fair value of these derivative contracts are recorded as either assets (gain position) or liabilities (loss position) on the Consolidated Balance Sheet. Changes in the fair value of the derivative contracts are recorded currently in earnings in the other income line of the Consolidated Statement of Operations.

The following table summarizes the notional amounts and respective fair values of Corning's derivative financial instruments on a gross basis for December 31, 2014 and December 31, 2013 (in millions):

	Notional amount		Asset derivatives			Liability derivatives		
			Balance sheet location	Fair value		Balance sheet location	Fair value	
	2014	2013		2014	2013		2014	2013
Derivatives designated as hedging instruments								
Foreign exchange contracts	$ 487	$ 433	Other current assets	$ 22	$ 8	Other accrued liabilities	$ (6)	$ (3)
Interest rate contracts	1,300	550	Other assets	1		Other liabilities	(15)	(28)
Derivatives not designated as hedging instruments								
Foreign exchange contracts	1,285	804	Other current assets	17	20	Other accrued liabilities	(5)	(3)
Translated earnings contracts	12,126	6,826	Other current assets	649	344	Other accrued liabilities	(33)	(3)
			Other assets	846	90			
Total derivatives	**$ 15,198**	**$ 8,613**		**$ 1,535**	**$ 462**		**$ (59)**	**$ (37)**

The following tables summarize the effect on the consolidated financial statements relating to Corning's derivative financial instruments (in millions):

	Effect of derivative instruments on the consolidated financial statements for the years ended December 31						
	Gain/(loss) recognized in other comprehensive income (OCI)			Location of gain/(loss) reclassified from accumulated OCI into income effective/ineffective	Gain/(loss) reclassified from accumulated OCI into income ineffective/effective(1)		
Derivatives in hedging relationships	2014	2013	2012		2014	2013	2012
Cash flow hedges							
				Net sales	$ 3		$ 1
Interest rate hedge	$ (3)	$ 33	$ 15	Cost of sales	7	$ 38	16
Foreign exchange contracts	20	56	85	Other income, net		91	11
Total cash flow hedges	**$ 17**	**$ 89**	**$ 100**		**$ 10**	**$ 129**	**$ 28**

		Gain (loss) recognized in income		
Undesignated derivatives	**Location**	**2014**	**2013**	**2012**
Foreign exchange contracts – balance sheet	Other income, net	$ 29	$ 100	$ 82
Foreign exchange contracts – loans	Other income, net	13	87	141
Translated earnings contracts	Other income, net	1,369	435	
Total undesignated		**$ 1,411**	**$ 622**	**$ 223**

(1) There was no amount of ineffectiveness for 2014 and the amount of hedge ineffectiveness for the year ended December 31, 2013 was $24 million related to interest rate swaps settled in the fourth quarter. The amount of ineffectiveness for 2012 was insignificant.

16. Fair Value Measurements

Fair value standards under U.S. GAAP define fair value, establish a framework for measuring fair value in applying generally accepted accounting principles, and require disclosures about fair value measurements. The standards also identify two kinds of inputs that are used to determine the fair value of assets and liabilities: observable and unobservable. Observable inputs are based on market data or independent sources while unobservable inputs are based on the Company's own market assumptions. Once inputs have been characterized, the inputs are prioritized into one of three broad levels (provided in the table below) used to measure fair value. Fair value standards apply whenever an entity is measuring fair value under other accounting pronouncements that require or permit fair value measurement and require the use of observable market data when available.

The following tables provide fair value measurement information for the Company's major categories of financial assets and liabilities measured on a recurring basis:

		Fair value measurements at reporting date using		
(in millions)	**December 31, 2014**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Current assets:				
Short-term investments	$ 759	$ 759		
Other current assets[1]	$ 687		$ 687	
Non-current assets:				
Other assets[2]	$ 1,330		$ 885	$ 445
Current liabilities:				
Other current liabilities[1]	$ 44		$ 44	
Non-current liabilities:				
Other liabilities[1]	$ 15		$ 15	

(1) Derivative assets and liabilities include foreign exchange contracts which are measured using observable quoted prices for similar assets and liabilities.

(2) Other assets include asset-backed securities which are measured using observable quoted prices for similar assets and a contingent consideration asset which was measured by applying an option pricing model using projected future Corning Precision Materials' revenue.

		Fair value measurements at reporting date using		
(in millions)	**December 31, 2013**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Current assets:				
Short-term investments	$ 531	$ 531		
Other current assets[1]	$ 372		$ 372	
Non-current assets:				
Other assets[2]	$ 128		$ 128	
Current liabilities:				
Other current liabilities[1]	$ 9		$ 9	
Non-current liabilities:				
Other liabilities[1]	$ 28		$ 28	

(1) Derivative assets and liabilities include foreign exchange contracts which are measured using observable quoted prices for similar assets and liabilities.

(2) Other assets include asset-backed securities which are measured using observable quoted prices for similar assets.

As a result of the Acquisition of Samsung Corning Precision Materials in January 2014, the Company has contingent consideration that was measured using unobservable (Level 3) inputs. This contingent consideration arrangement potentially requires additional consideration to be paid between the parties in 2018: one based on projections of future revenues generated by the business of Corning Precision Materials for the period between the acquisition date and December 31, 2017, which is subject to a cap of $665 million; and another based on the volumes of certain sales during the same period, which is subject to a separate cap of $100 million. The fair value of the potential receipt of the contingent consideration in 2018 in the amount of $196 million recognized on the acquisition date was estimated by applying an option pricing model using the Company's projection of future revenues generated by Corning Precision Materials. Changes in the fair value of the contingent consideration in future periods are valued using an option pricing model and are recorded in Corning's results in the period of the change. As of December 31, 2014, the fair value of the potential receipt of the contingent consideration in 2018 is $445 million. Corning recorded a pre-tax adjustment in the amount of $249 million to reflect the increase in the fair value which is mainly due to the movement in foreign exchange rate.

There were no significant financial assets and liabilities measured on a nonrecurring basis during the years ended December 31, 2014 and 2013.

17. Shareholders' Equity

Fixed Rate Cumulative Convertible Preferred Stock, Series A

On January 15, 2014, Corning designated a new series of its preferred stock as Fixed Rate Cumulative Convertible Preferred Stock, Series A, par value $100 per share, and issued 1,900 shares of Preferred Stock at an issue price of $1 million per share, for an aggregate issue price of $1.9 billion, to Samsung Display in connection with the Acquisition of its equity interests in Samsung Corning Precision Materials. Corning also issued to Samsung Display an additional amount of Preferred Stock at closing, for an aggregate issue price of $400 million in cash.

Dividends on the Preferred Stock are cumulative and accrue at the annual rate of 4.25% on the per share issue price of $1 million. The dividends are payable quarterly as and when declared by the Company's Board of Directors. The Preferred Stock ranks senior to our common stock with respect to payment of dividends and rights upon liquidation. The Preferred Stock is not redeemable except in the case of a certain deemed liquidation event, the occurrence of which is under the control of the Company. The Preferred Stock is convertible at the option of the holder and the Company upon certain events, at a conversion rate of 50,000 shares of Corning's common stock per one share of Preferred Stock, subject to certain anti-dilution provisions. As of December 31, 2014, the Preferred Stock has not been converted, and none of the anti-dilution provisions have been triggered. Following the seventh anniversary of the closing of the Acquisition, the Preferred Stock will be convertible, in whole or in part, at the option of the holder. The Company has the right, at its option, to cause some or all of the shares of Preferred Stock to be converted into Common Stock, if, for 25 trading days (whether or not consecutive) within any period of 40 consecutive trading days, the closing price of Common Stock exceeds $35 per share. If the aforementioned right becomes exercisable before the seventh anniversary of the closing, the Company must first obtain the written approval of the holders of a majority of the Preferred Stock before exercising its conversion right. The Preferred Stock does not have any voting rights except as may be required by law.

Share Repurchases

During 2012, we repurchased 56 million shares of common stock on the open market for $719 million as part of the share repurchase program announced on October 5, 2011.

On October 31, 2013, as part of the share repurchase program announced on April 24, 2013 (the "2013 Repurchase Program"), Corning entered into an accelerated share repurchase ("ASR") agreement with JP Morgan Chase Bank, National Association, London Branch ("JPMC"). Under the ASR agreement with JPMC, Corning agreed to purchase $1 billion of its common stock, in total, with an initial delivery by JPMC of 47.1 million shares based on the current market price, and payment of $1 billion made by Corning to JPMC. The payment to JPMC was recorded as a reduction to shareholders' equity, consisting of an $800 million increase in treasury stock, which reflects the value of the initial 47.1 million shares received upon execution, and a $200 million decrease in other-paid-in capital, which reflects the value of the stock held back by JPMC pending final settlement. On January 28, 2014, the ASR agreement with JPMC was completed. Corning received an additional 10.5 million shares on January 31, 2014 to settle the ASR agreement. In total, Corning purchased 57.6 million shares based on the average daily volume weighted-average price of Corning's common stock during the term of the ASR agreement with JPMC, less a discount.

In addition to the shares repurchased through the ASR agreement, we repurchased 61.3 million shares of common stock on the open market for approximately $1 billion, as part of the 2013 Repurchase Program. This program was executed between the second quarter of 2013 and the first quarter of 2014, with a total of 118.9 million shares repurchased for approximately $2 billion.

On March 4, 2014, as part of the $2 billion share repurchase program announced on October 22, 2013 and made effective concurrent with the closing of Corning's Acquisition of Samsung Corning Precision Materials on January 15, 2014 (the "2014 Repurchase Program"), Corning entered into an ASR agreement with Citibank N.A. ("Citi"). Under the ASR agreement with Citi, Corning agreed to purchase $1.25 billion of its common stock, with an initial delivery by Citi of 52.5 million shares based on the current market price, and payment of $1.25 billion made by Corning to Citi. On May 28, 2014, the ASR agreement with Citi was completed, and Corning received an additional 8.7 million shares to settle the ASR agreement. In total, Corning repurchased 61.2 million shares based on the average daily volume weighted-average price of Corning's common stock during the term of the ASR agreement with Citi, less a discount.

In addition to the shares repurchased through the ASR agreement, in the year ended December 31, 2014, we repurchased 36.9 million shares of common stock on the open market for approximately $750 million, as part of the 2014 Repurchase Program. This program was completed in the fourth quarter of 2014, with a total of 98.2 million shares repurchased for approximately $2 billion.

The following table presents changes in capital stock for the period from January 1, 2012 to December 31, 2014 (in millions):

	Common stock		Treasury stock	
	Shares	Par value	Shares	Cost
Balance at December 31, 2011	1,636	$ 818	(121)	$ (2,024)
Shares issued to benefit plans and for option exercises	13	7		(1)
Shares purchased for treasury			(56)	(719)
Other, net			(2)	(29)
Balance at December 31, 2012	1,649	$ 825	(179)	$ (2,773)
Shares issued to benefit plans and for option exercises	12	6		(1)
Shares purchased for treasury			(82)	(1,316)
Other, net			(1)	(9)
Balance at December 31, 2013	1,661	$ 831	(262)	$ (4,099)
Shares issued to benefit plans and for option exercises	11	5		(2)
Shares purchased for treasury			(135)	(2,612)
Other, net			(1)	(14)
Balance at December 31, 2014(1)	**1,672**	**$ 836**	**(398)**	**$ (6,727)**

(1) On January 15, 2014, in conjunction with the Acquisition of Corning Precision Materials, Corning issued 2,300 Fixed Rate Cumulative Convertible Preferred Stock, Series A ("Preferred Stock"), par value $100 per share, at an issue price of $1 million per share, for an aggregate issue price of $2.3 billion. There have been no further issuances or conversions of Preferred Stock during 2014.

Accumulated Other Comprehensive Income

A summary of changes in the components of accumulated other comprehensive income (loss), including our proportionate share of equity method investee's accumulated other comprehensive income (loss), is as follows (in millions)[1]:

	Foreign currency translation adjustments and other	Unamortized actuarial gains (losses) and prior service costs	Net unrealized gains (losses) on investments	Net unrealized gains (losses) on designated hedges	Accumulated other comprehensive income (loss)
Balance at December 31, 2011	$ 1,353	$ (819)	$ (29)	$ (29)	$ 476
Other comprehensive income before reclassifications[4]	$ (439)	$ (181)	$ 11	$ 63	$ (546)
Amounts reclassified from accumulated other comprehensive income[2]	(52)	149	(6)	(18)	73
Equity method affiliates[3]	312	31	8	2	353
Net current-period other comprehensive income (loss)	(179)	(1)	13	47	(120)
Balance at December 31, 2012	$ 1,174	$ (820)	$ (16)	$ 18	$ 356
Other comprehensive income before reclassifications[5]	$ (756)	$ 283	$ 1	$ 56	$ (416)
Amounts reclassified from accumulated other comprehensive income[2]		(10)	(1)	(81)	(92)
Equity method affiliates[3]	74	119	2	1	196
Net current-period other comprehensive income (loss)	(682)	392	2	(24)	(312)
Balance at December 31, 2013	$ 492	$ (428)	$ (14)	$ (6)	$ 44
Other comprehensive income before reclassifications[6]	$ (821)	$ (172)	$ 4	$ 10	$ (979)
Amounts reclassified from accumulated other comprehensive income[2]	(136)	18	1	(6)	(123)
Equity method affiliates[3]	(116)	(127)	(6)		(249)
Net current-period other comprehensive income (loss)	(1,073)	(281)	(1)	4	(1,351)
Balance at December 31, 2014	**$ (581)**	**$ (709)**	**$ (15)**	**$ (2)**	**$ (1,307)**

(1) All amounts are after tax. Amounts in parentheses indicate debits to accumulated other comprehensive income.

(2) Tax effects of reclassifications are disclosed separately in this Note 17.

(3) Tax effects related to equity method affiliates are not significant.

(4) Amounts are net of total tax benefit of $56 million, including $(37) million related to the hedges component, $99 million related to the retirement plans component and $(6) million related to the investments component.

(5) Amounts are net of total tax expense of $(197) million, including $(33) million related to the hedges component and $(164) million related to the retirement plans component.

(6) Amounts are net of total tax benefit of $96 million, including $(7) million related to the hedges component and $104 million related to the retirement plans component and $(1) million related to the investments component.

(In millions)

Reclassifications Out of Accumulated Other Comprehensive Income (AOCI) by Component[1]

Details about AOCI Components	Amount reclassified from AOCI Years ended December 31, 2014	2013	2012	Affected line item in the consolidated statements of income
Foreign currency translation adjustment	$ 136			Transaction-related gain, net
			$ 52	Other income, net
	136		**52**	**Net of tax**
Amortization of net actuarial (loss) gain	$ (29)	$ 15	$ (233)	[2]
Amortization of prior service cost		1	(2)	[2]
	(29)	16	(235)	Total before tax
	11	(6)	86	Tax benefit (expense)
	$ (18)	**$ 10**	**$ (149)**	**Net of tax**
Realized (losses) gains on investments	$ (1)	$ 1	$ 10	Other income, net
			(4)	Tax expense
	$ (1)	**$ 1**	**$ 6**	**Net of tax**
Realized gains on designated hedges	$ 3		$ 1	Sales
	7	$ 38	16	Cost of sales
		91	11	Other income, net
	10	129	28	Total before tax
	(4)	(48)	(10)	Tax expense
	$ 6	**$ 81**	**$ 18**	**Net of tax**
Total reclassifications for the period	**$ 123**	**$ 92**	**$ (73)**	**Net of tax**

(1) Amounts in parentheses indicate debits to the statement of income.

(2) These accumulated other comprehensive income components are included in net periodic pension cost. See Note 13 – Employee Retirement Plans for additional details.

18. Earnings Per Common Share

Basic earnings per common share are computed by dividing income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share assumes the issuance of common shares for all potentially dilutive securities outstanding.

The reconciliation of the amounts used to compute basic and diluted earnings per common share from continuing operations follows (in millions, except per share amounts):

	Years ended December 31, 2014	2013	2012
Net income attributable to Corning Incorporated	$ 2,472	$ 1,961	$ 1,636
Less: Series A convertible preferred stock dividend	94		
Net income available to common stockholders - basic	2,378	1,961	1,636
Plus: Series A convertible preferred stock dividend	94		
Net income available to common stockholders - diluted	**$ 2,472**	**$ 1,961**	**$ 1,636**
Weighted-average common shares outstanding - basic	1,305	1,452	1,494
Effect of dilutive securities:			
Stock options and other dilutive securities	12	10	12
Series A convertible preferred stock dividend	110		
Weighted-average common shares outstanding - diluted	**1,427**	**1,462**	**1,506**
Basic earnings per common share	$ 1.82	$ 1.35	$ 1.10
Diluted earnings per common share	$ 1.73	$ 1.34	$ 1.09
Anti-dilutive potential shares excluded from diluted earnings per common share:			
Employee stock options and awards	24	39	43
Accelerated share repurchase forward contract	3	3	
Total	**27**	**42**	**43**

19. Share-based Compensation

Stock Compensation Plans

We maintain long-term incentive plans (the Plans) for key team members and non-employee members of our Board of Directors. The Plans allow us to grant equity-based compensation awards, including stock options, stock appreciation rights, performance share units, restricted stock units, restricted stock awards or a combination of awards (collectively, share-based awards). At December 31, 2014, there were approximately 75 million unissued common shares available for future grants under the Plans.

The Company measures and recognizes compensation cost for all share-based payment awards made to employees and directors based on estimated fair values.

The fair value of awards granted subsequent to January 1, 2006 that are expected to ultimately vest is recognized as expense over the requisite service periods. The number of options expected to vest equals the total options granted less an estimation of the number of forfeitures expected to occur prior to vesting. The forfeiture rate is calculated based on 15 years of historical data and is adjusted if actual forfeitures differ significantly from the original estimates. The effect of any change in estimated forfeitures would be recognized through a cumulative adjustment that would be included in compensation cost in the period of the change in estimate.

Total share-based compensation cost of $58 million, $54 million and $70 million was disclosed in operating activities on the Company's Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012, respectively.

Stock Options

Our stock option plans provide non-qualified and incentive stock options to purchase authorized but unissued, or treasury shares, at the market price on the grant date and generally become exercisable in installments from one to five years from the grant date. The maximum term of non-qualified and incentive stock options is 10 years from the grant date.

The following table summarizes information concerning options outstanding including the related transactions under the stock option plans for the year ended December 31, 2014:

	Number of shares (in thousands)	Weighted-average exercise price	Weighted-average remaining contractual term in years	Aggregate intrinsic value (in thousands)
Options outstanding as of December 31, 2013	57,139	$ 17.83		
Granted	1,606	20.99		
Exercised	(9,338)	12.60		
Forfeited and expired	(683)	17.19		
Options outstanding as of December 31, 2014	**48,724**	**18.94**	**4.49**	**$ 229,808**
Options expected to vest as of December 31, 2014	**48,562**	**18.95**	**4.49**	**228,602**
Options exercisable as of December 31, 2014	**35,445**	**20.63**	**3.27**	**117,170**

The aggregate intrinsic value (market value of stock less option exercise price) in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price on December 31, 2014, which would have been received by the option holders had all option holders exercised their "in-the-money" options as of that date. The total number of "in-the-money" options exercisable on December 31, 2014, was approximately 22 million.

The weighted-average grant-date fair value for options granted for the years ended December 31, 2014, 2013 and 2012 was $8.29, $5.02 and $4.95, respectively. The total fair value of options that vested during the years ended December 31, 2014, 2013 and 2012 was approximately $16 million, $29 million and $47 million, respectively. Compensation cost related to stock options for the years ended December 31, 2014, 2013 and 2012, was approximately $22 million, $25 million and $37 million, respectively.

As of December 31, 2014, there was approximately $8 million of unrecognized compensation cost related to stock options granted under the Plans. The cost is expected to be recognized over a weighted-average period of 1.7 years.

Proceeds received from the exercise of stock options were $116 million for the year ended December 31, 2014, which were included in financing activities on the Company's Consolidated Statements of Cash Flows. The total intrinsic value of options exercised for the years ended December 31, 2014, 2013 and 2012 was approximately $69 million, $55 million and $51 million, respectively. The income tax benefit realized from share-based compensation was not significant for the year ended December 31, 2014. There were no income tax benefits realized from share-based compensation for the years ended December 31, 2013 and 2012, due to net operating loss and credit carryforwards available to the Company. Refer to Note 6 (Income Taxes) to the Consolidated Financial Statements.

An award is considered vested when the employee's retention of the award is no longer contingent on providing subsequent service (the "non-substantive vesting period approach"). Awards to retirement eligible employees are fully vested at the date of grant, and the related compensation expense is recognized immediately upon grant or over the period from the grant date to the date of retirement eligibility for employees that become age 55 during the vesting period.

Corning uses a multiple-point Black-Scholes valuation model to estimate the fair value of stock option grants. Corning utilizes a blended approach for calculating the volatility assumption used in the multiple-point Black-Scholes valuation model defined as the weighted average of the short-term implied volatility, the most recent volatility for the period equal to the expected term, and the most recent 15-year historical volatility. The expected term assumption is the period of time the options are expected to be outstanding, and is calculated using a combination of historical exercise experience adjusted to reflect the current vesting period of options being valued, and partial life cycles of outstanding options. The risk-free rates used in the multiple-point Black-Scholes valuation model are the implied rates for a zero-coupon U.S. Treasury bond with a term equal to the option's expected term. The ranges given below reflect results from separate groups of employees exhibiting different exercise behavior.

The following inputs were used for the valuation of option grants under our Stock Option Plans:

	2014	2013	2012
Expected volatility	45.4-46.2%	46.5-47.4%	47.8-48.9%
Weighted-average volatility	45.4-46.2%	46.6-47.3%	48.0-48.5%
Expected dividends	1.90-2.09%	2.35-3.02%	2.28-3.31%
Risk-free rate	2.0-2.2%	0.8-2.2%	0.8-1.3%
Average risk-free rate	2.0-2.2%	1.1-2.2%	1.0-1.3%
Expected term (in years)	7.2-7.2	5.8-7.2	5.7-7.1
Pre-vesting departure rate	0.5-0.5%	0.4-4.1%	0.4-4.2%

Incentive Stock Plans

The Corning Incentive Stock Plan permits restricted stock and restricted stock unit grants, either determined by specific performance goals or issued directly, in most instances, subject to the possibility of forfeiture and without cash consideration. Restricted stock and restricted stock units under the Incentive Stock Plan are granted at the closing market price on the grant date, contingently vest over a period of generally one to ten years, and generally have contractual lives of one to ten years. The fair value of each restricted stock grant or restricted stock unit awarded under the Incentive Stock Plan was estimated on the date of grant.

Time-Based Restricted Stock and Restricted Stock Units:

Time-based restricted stock and restricted stock units are issued by the Company on a discretionary basis, and are payable in shares of the Company's common stock upon vesting. The fair value is based on the closing market price of the Company's stock on the grant date. Compensation cost is recognized over the requisite vesting period and adjusted for actual forfeitures before vesting.

The following table represents a summary of the status of the Company's non-vested time-based restricted stock and restricted stock units as of December 31, 2013, and changes which occurred during the year ended December 31, 2014:

	Shares (000's)	Weighted-average grant-date fair value
Non-vested shares at December 31, 2013	6,108	$ 14.58
Granted	1,566	20.46
Vested	(1,803)	16.95
Forfeited	(134)	14.90
Non-vested shares and share units at December 31, 2014	**5,737**	**15.43**

As of December 31, 2014, there was approximately $22 million of unrecognized compensation cost related to nonvested time-based restricted stock and restricted stock units compensation arrangements granted under the Plan. The cost is expected to be recognized over a weighted-average period of 2.0 years. The total fair value of time-based restricted stock that vested during the years ended December 31, 2014, 2013 and 2012 was approximately $32 million, $29 million and $13 million, respectively. Compensation cost related to time-based restricted stock and restricted stock units was approximately $36 million, $29 million and $31 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Performance-Based Restricted Stock and Restricted Stock Units:

The performance-based restricted stock and restricted stock unit compensation program was terminated in 2010. All performance-based restricted stock and restricted stock units were fully vested in the first quarter of 2012.

Performance-based restricted stock and restricted stock units were earned upon the achievement of certain targets, and were payable in shares of the Company's common stock upon vesting, typically over a three-year period. The fair value was based on the closing market price of the Company's stock on the grant date and assumed that the target payout level will be achieved. Compensation cost was recognized over the requisite vesting period and adjusted for actual forfeitures before vesting. During the performance period, compensation cost was adjusted based on changes in the expected outcome of the performance-related target.

As of December 31, 2014, there is no unrecognized compensation cost related to non-vested performance-based restricted stock and restricted stock units compensation arrangements granted under the Plan. The total fair value of performance-based restricted stock that vested during the year ended December 31, 2012, was approximately $45 million. Compensation cost related to performance-based restricted stock and restricted stock units was approximately $2 million for the year ended December 31, 2012.

20. Reportable Segments

Our reportable segments are as follows:

- Display Technologies – manufactures glass substrates for flat panel liquid crystal displays.
- Optical Communications – manufactures carrier network and enterprise network components for the telecommunications industry.
- Environmental Technologies – manufactures ceramic substrates and filters for automotive and diesel applications.
- Specialty Materials – manufactures products that provide more than 150 material formulations for glass, glass ceramics and fluoride crystals to meet demand for unique customer needs.
- Life Sciences – manufactures glass and plastic labware, equipment, media and reagents to provide workflow solutions for scientific applications.

All other reportable segments that do not meet the quantitative threshold for separate reporting have been grouped as "All Other." This group is primarily comprised of development projects and results for new product lines.

We prepared the financial results for our reportable segments on a basis that is consistent with the manner in which we internally disaggregate financial information to assist in making internal operating decisions. We included the earnings of equity affiliates that are closely associated with our reportable segments in the respective segment's net income. We have allocated certain common expenses among reportable segments differently than we would for stand-alone financial information. Segment net income may not be consistent with measures used by other companies. The accounting policies of our reportable segments are the same as those applied in the consolidated financial statements.

The following provides historical segment information as described above:

SEGMENT INFORMATION

(in millions)	Display Technologies	Optical Communications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
For the year ended December 31, 2014							
Net sales	$ 3,851	$ 2,652	$ 1,092	$ 1,205	$ 862	$ 53	$ 9,715
Depreciation[1]	$ 676	$ 154	$ 119	$ 113	$ 60	$ 31	$ 1,153
Amortization of purchased intangibles		$ 10			$ 22		$ 32
Research, development and engineering expenses[2]	$ 138	$ 141	$ 91	$ 140	$ 22	$ 177	$ 709
Restructuring, impairment and other charges	$ 54	$ 17		$ (1)	$ 1	$ (3)	$ 68
Equity in earnings of affiliated companies	$ (20)		$ 2			$ 18	
Income tax (provision) benefit	$ (599)	$ (116)	$ (91)	$ (78)	$ (34)	$ 85	$ (833)
Net income (loss)[5]	$ 1,369	$ 205	$ 182	$ 144	$ 71	$ (196)	$ 1,775
Investment in affiliated companies, at equity	$ 63	$ 2	$ 32			$ 214	$ 311
Segment assets[6]	$ 8,863	$ 1,737	$ 1,297	$ 1,288	$ 553	$ 518	$ 14,256
Capital expenditures	$ 492	$ 145	$ 173	$ 104	$ 30	$ 101	$ 1,045
For the year ended December 31, 2013							
Net sales	$ 2,545	$ 2,326	$ 919	$ 1,170	$ 851	$ 8	$ 7,819
Depreciation[1]	$ 481	$ 147	$ 120	$ 137	$ 57	$ 18	$ 960
Amortization of purchased intangibles		$ 10			$ 21		$ 31
Research, development and engineering expenses[2]	$ 84	$ 140	$ 89	$ 144	$ 20	$ 116	$ 593
Restructuring, impairment and other charges	$ 7	$ 12	$ 1	$ 19	$ 4	$ 8	$ 51
Equity in earnings of affiliated companies[4]	$ 357	$ 2	$ 1	$ 4		$ (24)	$ 340
Income tax (provision) benefit	$ (327)	$ (101)	$ (65)	$ (91)	$ (36)	$ 61	$ (559)
Net income (loss)[5]	$ 1,267	$ 199	$ 132	$ 187	$ 71	$ (163)	$ 1,693
Investment in affiliated companies, at equity	$ 3,666	$ 3	$ 31	$ 10		$ 232	$ 3,942
Segment assets[6]	$ 9,501	$ 1,654	$ 1,230	$ 1,333	$ 551	$ 422	$ 14,691
Capital expenditures	$ 350	$ 105	$ 196	$ 62	$ 51	$ 55	$ 819
For the year ended December 31, 2012							
Net sales	$ 2,909	$ 2,130	$ 964	$ 1,346	$ 657	$ 6	$ 8,012
Depreciation[1]	$ 514	$ 130	$ 117	$ 153	$ 44	$ 14	$ 972
Amortization of purchased intangibles		$ 9			$ 10		$ 19
Research, development and engineering expenses[2]	$ 103	$ 137	$ 100	$ 143	$ 22	$ 123	$ 628
Restructuring, impairment and other charges[3]	$ 21	$ 39	$ 3	$ 54	$ 2		$ 119
Equity in earnings of affiliated companies[4]	$ 692		$ 1			$ 17	$ 710
Income tax (provision) benefit	$ (367)	$ (58)	$ (58)	$ (69)	$ (14)	$ 53	$ (513)
Net income (loss)[5]	$ 1,589	$ 146	$ 112	$ 137	$ 28	$ (98)	$ 1,914
Investment in affiliated companies, at equity	$ 3,262	$ 17	$ 30	$ 4		$ 262	$ 3,575
Segment assets[6]	$ 9,953	$ 1,435	$ 1,103	$ 1,707	$ 552	$ 351	$ 15,101
Capital expenditures	$ 845	$ 311	$ 154	$ 93	$ 47	$ 52	$ 1,502

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

(2) Research, development and engineering expenses include direct project spending that is identifiable to a segment.

(3) In 2012, Corning recorded a $44 million impairment charge in the Specialty Materials segment related to certain assets located in Japan used for the production of large cover glass.

(4) In 2013, equity in earnings of affiliated companies in the Display Technologies segment included a $28 million restructuring charge for our share of costs for headcount reductions and asset write-offs. In 2012, equity in earnings of affiliated companies in the Display Technologies segment included a $18 million restructuring charge for our share of costs for headcount reductions and asset write-offs.

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

(6) Segment assets include inventory, accounts receivable, property, plant and equipment, net, and associated equity companies and cost investments.

For the year ended December 31, 2014, the following number of customers, which individually accounted for 10% or more of each segment's sales, represented the following concentration of segment sales:

- In the Display Technologies segment, three customers accounted for 61% of total segment sales.
- In the Optical Communications segment, one customer accounted for 11% of total segment sales.
- In the Environmental Technologies segment, three customers accounted for 88% of total segment sales.
- In the Specialty Materials segment, three customers accounted for 51% of total segment sales.
- In the Life Sciences segment, two customers accounted for 45% of total segment sales.

A significant amount of specialized manufacturing capacity for our Display Technologies segment is concentrated in Asia. It is at least reasonably possible that the use of a facility located outside of an entity's home country could be disrupted. Due to the specialized nature of the assets, it would not be possible to find replacement capacity quickly. Accordingly, loss of these facilities could produce a near-term severe impact to our display business and the Company as a whole.

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

	Years ended December 31,		
	2014	**2013**	**2012**
Net income of reportable segments	$ 1,971	$ 1,856	$ 2,012
Net loss of All Other	(196)	(163)	(98)
Unallocated amounts:			
Net financing costs(1)	(113)	(66)	(196)
Stock-based compensation expense	(58)	(54)	(70)
Exploratory research	(102)	(112)	(89)
Corporate contributions	(43)	(42)	(44)
Equity in earnings of affiliated companies, net of impairments(2)	269	207	82
Asbestos settlement	(13)	(19)	(14)
Purchased collars and average rate forward contracts	639	197	
Other corporate items(3)	118	157	53
Net income	**$ 2,472**	**$ 1,961**	**$ 1,636**

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

(2) Equity in earnings of affiliated companies is primarily equity in earnings of Dow Corning, which includes the following items:

- In 2014, Dow Corning's net income includes an after-tax gain of $365 million from the reduction of the Implant Liability, an after-tax gain on a derivative instrument of $29 million, foreign tax credits of approximately $99 million, and an energy tax credit of approximately $13 million, offset partially by the after-tax charge of $432 million for the abandonment of a polycrystalline silicon plant expansion.
- In 2013, gains in the amount of approximately $30 million for the resolution of contract disputes against customers relating to enforcement of long-term supply agreements and $16 million for the positive impact of the settlement of a derivative, along with a charge of $4 million related to the impact of a tax valuation allowance. Also included are restructuring charges in the amount of $11 million.
- In 2012, restructuring and impairment charges in the amount of $87 million for our share of a charge related to workforce reductions and asset write-offs at Dow Corning, and a $10 million credit for Corning's share of Dow Corning's settlement of a dispute related to long term supply agreements.

(3) Other corporate items include the tax impact of the unallocated amounts, excluding purchased collars and average rate forward contracts, and the following significant items:

- In 2014, Corning recorded $150 million from changes in deferred tax valuation allowances and $46 million of tax expense related to out-of-period transfer pricing adjustments.
- In 2013, Corning recorded a $54 million tax benefit for the impact of the American Taxpayer Relief Act enacted on January 3, 2013 and made retroactive to 2012.
- In 2012, Corning recorded a $52 million translation gain on the liquidation of a foreign subsidiary; a loss of $26 million ($17 million after tax) from the repurchase of $13 million principal amount of our 8.875% senior unsecured notes due 2021, $11 million of our 8.875% senior unsecured notes due 2016, and $51 million principal amount of our 6.75% senior unsecured notes due 2013; and a $37 million tax expense resulting from the delay of the passage of the American Taxpayer Relief Act of 2012 until January 2013, that was reversed in the first quarter of 2013.

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

	December 31,		
	2014	2013	2012
Total assets of reportable segments	$ 13,738	$ 14,269	$ 14,750
Non-reportable segments	518	422	351
Unallocated amounts:			
Current assets(1)	7,402	6,349	7,300
Investments(2)	1,490	1,595	1,340
Property, plant and equipment, net(3)	1,657	1,594	1,494
Other non-current assets(4)	5,258	4,249	4,140
Total assets	**$ 30,063**	**$ 28,478**	**$ 29,375**

(1) Includes current corporate assets, primarily cash, short-term investments, current portion of long-term derivative assets and deferred taxes.
(2) Represents corporate investments in affiliated companies, at both cost and equity (primarily Dow Corning).
(3) Represents corporate property not specifically identifiable to an operating segment.
(4) Includes non-current corporate assets, pension assets, long-term derivative assets and deferred taxes.

Selected financial information concerning the Company's product lines and reportable segments follow (in millions):

	Fiscal Years Ended December 31,		
Revenues from External Customers	**2014**	**2013**	**2012**
Display Technologies	**$ 3,851**	**$ 2,545**	**$ 2,909**
Optical Communications			
Carrier network	2,036	1,782	1,619
Enterprise network	616	544	511
Total Optical Communications	**2,652**	**2,326**	**2,130**
Environmental Technologies			
Automotive and other	528	485	486
Diesel	564	434	478
Total Environmental Technologies	**1,092**	**919**	**964**
Specialty Materials			
Corning Gorilla Glass	846	848	1,027
Advanced optics and other specialty glass	359	322	319
Total Specialty Materials	**1,205**	**1,170**	**1,346**
Life Sciences			
Labware	536	529	430
Cell culture products	326	322	227
Total Life Science	**862**	**851**	**657**
All Other	**53**	**8**	**6**
	$ 9,715	**$ 7,819**	**$ 8,012**

Information concerning principal geographic areas was as follows (in millions):

	2014		2013		2012	
	Net sales(2)	Long-lived assets(1)	Net sales(2)	Long-lived assets(1)	Net sales(2)	Long-lived assets(1)
North America						
United States	$ 2,275	$ 7,998	$ 2,061	$ 7,170	$ 1,859	$ 6,771
Canada	311		308		246	
Mexico	35	50	23	36	24	87
Total North America	**2,621**	**8,048**	**2,392**	**7,206**	**2,129**	**6,858**
Asia Pacific						
Japan	608	1,311	621	1,548	751	1,949
Taiwan	1,092	2,005	1,376	2,277	1,708	2,836
China	1,893	1,115	1,916	1,218	2,103	1,215
Korea	1,882	3,595	96	3,234	94	3,342
Other	308	109	278	127	243	84
Total Asia Pacific	**5,783**	**8,135**	**4,287**	**8,404**	**4,899**	**9,426**
Europe						
Germany	397	217	337	171	264	139
France	81	277	79	287	57	267
United Kingdom	187	176	165	6	134	14
Other	369	980	280	1,147	274	550
Total Europe	**1,034**	**1,650**	**861**	**1,611**	**729**	**970**
Latin America						
Brazil	67	36	77	66	29	1
Other	35		37	6	33	6
Total Latin America	**102**	**36**	**114**	**72**	**62**	**7**
All Other	175	19	165	25	193	35
Total	**$ 9,715**	**$ 17,888**	**$ 7,819**	**$ 17,318**	**$ 8,012**	**$ 17,296**

(1) Long-lived assets primarily include investments, plant and equipment, goodwill and other intangible assets. In 2014, assets in the U.S. include the investment in Dow Corning. In 2013 and 2012, assets in the U.S. and South Korea include investments in Dow Corning and Samsung Corning Precision Materials.

(2) Net sales are attributed to countries based on location of customer.

Valuation Accounts and Reserves

(in millions)

Year ended December 31, 2014	Balance at beginning of period	Additions	Net deductions and other	Balance at end of period
Doubtful accounts and allowances	$ 28	$ 19		$ 47
Deferred tax assets valuation allowance	$ 286	$ 186	$ 174	$ 298
Accumulated amortization of purchased intangible assets	$ 185	$ 31		$ 216
Reserves for accrued costs of business restructuring	$ 44	$ 49	$ 49	$ 44

Year ended December 31, 2013	Balance at beginning of period	Additions	Net deductions and other	Balance at end of period
Doubtful accounts and allowances	$ 26	$ 2		$ 28
Deferred tax assets valuation allowance	$ 210	$ 80	$ 4	$ 286
Accumulated amortization of purchased intangible assets	$ 154	$ 31		$ 185
Reserves for accrued costs of business restructuring	$ 42	$ 41	$ 39	$ 44

Year ended December 31, 2012	Balance at beginning of period	Additions	Net deductions and other	Balance at end of period
Doubtful accounts and allowances	$ 19	$ 7		$ 26
Deferred tax assets valuation allowance	$ 219	$ 10	$ 19	$ 210
Accumulated amortization of purchased intangible assets	$ 135	$ 19		$ 154
Reserves for accrued costs of business restructuring	$ 10	$ 52	$ 20	$ 42

Quarterly Operating Results

(unaudited) (In millions, except per share amounts)

2014	First quarter		Second quarter		Third quarter		Fourth quarter		Total year	
Net sales	$	2,289	$	2,482	$	2,540	$	2,404	$	9,715
Gross margin	$	935	$	1,032	$	1,089	$	996	$	4,052
Restructuring, impairment and other credits	$	17	$	34			$	20	$	71
Asbestos litigation charges	$	2	$	4	$	5	$	(20)	$	(9)
Equity in earnings of affiliated companies	$	86	$	62	$	95	$	23	$	266
Provision for income taxes	$	(180)	$	(172)	$	(395)	$	(349)	$	(1,096)
Net income attributable to Corning Incorporated	$	301	$	169	$	1,014	$	988	$	2,472
Basic earnings per common share	$	0.21	$	0.11	$	0.77	$	0.76	$	1.82
Diluted earnings per common share	$	0.20	$	0.11	$	0.72	$	0.70	$	1.73

2013	First quarter		Second quarter		Third quarter		Fourth quarter		Total year	
Net sales	$	1,814	$	1,982	$	2,067	$	1,956	$	7,819
Gross margin	$	770	$	883	$	901	$	770	$	3,324
Restructuring, impairment and other charges							$	67	$	67
Asbestos litigation charges	$	2	$	6	$	5	$	6	$	19
Equity in earnings of affiliated companies	$	173	$	166	$	138	$	70	$	547
Provision for income taxes	$	(34)	$	(191)	$	(141)	$	(146)	$	(512)
Net income attributable to Corning Incorporated	$	494	$	638	$	408	$	421	$	1,961
Basic earnings per common share	$	0.33	$	0.43	$	0.28	$	0.30	$	1.35
Diluted earnings per common share	$	0.33	$	0.43	$	0.28	$	0.30	$	1.34

Annual Meeting

The annual meeting of shareholders will be held on Tuesday, April 30, 2015, in Corning, New York. A formal notice of the meeting and a proxy statement will be mailed to shareholders on or about March 17, 2015. The proxy statement can also be accessed electronically through the Investor Relations page of the Corning website at www.corning.com and at www.corning.com/2015_proxy. A summary report of the proceedings at the annual meeting will be available without charge upon written request to Linda E. Jolly, Corporate Secretary, Corning Incorporated, One Riverfront Plaza, Corning, NY 14831.

Additional Information

A copy of Corning's 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) is available without charge to shareholders upon written request to Corporate Secretary, Corning Incorporated, One Riverfront Plaza, Corning, NY 14831. The annual report, proxy statement, Form 10-K, and other information can also be accessed electronically through the Investor Relations page of the Corning website at www. corning.com.

Investor Information

Investment analysts and investors who need additional information may contact Ann Nicholson, Division Vice President, Investor Relations, Corning Incorporated, One Riverfront Plaza, Corning, NY 14831. Telephone: 607.974.9000.

Common Stock

Corning Incorporated common stock is listed on the New York Stock Exchange (NYSE). In addition, it is traded on the Boston, Midwest, Pacific, and Philadelphia stock exchanges. Common stock options are traded on the Chicago Board Options Exchange. The ticker symbol for Corning Incorporated is "GLW."

Transfer Agent & Registrar

Computershare Trust Company
P.O. Box 30170, College Station, TX 77842-3170
Telephone: 800.255.0461
Website: www.computershare.com/contactus

Independent Auditors

PricewaterhouseCoopers LLP
300 Madison Ave., New York, NY 10017

Executive Certifications

Corning submitted its 2014 Annual CEO Certification to NYSE in compliance with NYSE corporate governance listing standards, and filed with the SEC its Sarbanes Oxley Act 301 Certifications as exhibits to its most recent Form 10-K.

Trademarks

A number of Corning trademarks appear throughout this annual report. For a complete listing of Corning's registered trademarks, visit: www.corning.com/legal/legal_notices.aspx.

Corning is an equal opportunity employer.

Wendell Weeks photo by Robert Barker, Cornell University.

View image courtesy of Moody Nolan, Inc.

Printed in the USA

"Safe Harbor" Statement
Under the Private Securities Litigation Reform Act of 1995

The statements in this Annual Report that are not historical facts or information are forward-looking statements. These forward-looking statements involve risks and uncertainties that may cause the outcome to be materially different. Such risks and uncertainties include, but are not limited to:

— global business, financial, economic, and political conditions;
— tariffs and import duties;
— currency fluctuations between the U.S. dollar and other currencies, primarily the Japanese yen, New Taiwan dollar, Euro, and Korean won;
— product demand and industry capacity;
— competitive products and pricing;
— availability and costs of critical components and materials;
— new product development and commercialization;
— order activity and demand from major customers;
— fluctuations in capital spending by customers;
— possible disruption in commercial activities due to terrorist activity, cyber attack, armed conflict, political or financial instability, natural disasters, or major health concerns;
— unanticipated disruption to equipment, facilities, or operations;
— facility expansions and new plant start-up costs;
— effect of regulatory and legal developments;
— ability to pace capital spending to anticipated levels of customer demand;
— credit rating and ability to obtain financing and capital on commercially reasonable terms;
— adequacy and availability of insurance;
— financial risk management;
— acquisition and divestiture activities;
— rate of technology change;
— level of excess or obsolete inventory;
— ability to enforce patents and protect intellectual property and trade secrets;
— adverse litigation;
— product and components performance issues;
— retention of key personnel;
— stock price fluctuations;
— trends for the continued growth of the company's businesses;
— the ability of research and development projects to produce revenues in future periods;
— a downturn in demand or decline in growth rates for LCD glass substrates;
— customer ability, most notably in the Display Technologies segment, to maintain profitable operations and obtain financing to fund their ongoing operations and manufacturing expansions and pay their receivables when due;
— loss of significant customers;
— fluctuations in supply chain inventory levels;
— equity company activities;
— changes in tax laws and regulations;
— changes in accounting rules and standards;
— the potential impact of legislation, government regulations, and other government action and investigations;
— temporary idling of capacity or delaying expansion;
— the ability to implement productivity, consolidation, and cost-reduction efforts, and to realize anticipated benefits;
— restructuring actions and charges; and
— other risks detailed in Corning's SEC filings.

Neither this report nor any statement contained herein is furnished in connection with any offering of securities or for the purpose of promoting or influencing the sale of securities.

Board of Directors

Donald W. Blair
Executive Vice President
& Chief Financial Officer
NIKE, Inc.
Beaverton, OR
(1) (3)

Stephanie A. Burns
Retired Chairman
& Chief Executive Officer
Dow Corning Corporation
Sunset, SC
(1) (3)

John A. Canning, Jr.
Co-Founder & Chairman
Madison Dearborn Partners, LLC
Chicago, IL
(4) (5) (6)

Richard T. Clark
Retired Chairman, President
& Chief Executive Officer
Merck & Co., Inc.
Whitehouse Station, NJ
(2) (5) (6)

Robert F. Cummings, Jr.
Vice Chairman
of Investment Banking
JPMorgan Chase & Co.
New York, NY
(4) (5) (6)

James B. Flaws
Vice Chairman
& Chief Financial Officer
Corning Incorporated
Corning, NY
(2) (6)

Deborah A. Henretta
Group President E-Business
Proctor & Gamble
Cincinnati, OH
(1) (3)

Daniel P. Huttenlocher
Dean and Vice Provost
Cornell University
New York City Tech Campus
New York, NY
(1) (4)

Kurt M. Landgraf
Retired President
& Chief Executive Officer
Educational Testing Service
Princeton, NJ
(1) (2) (6)

Kevin J. Martin
Consultant
Squire Patton Boggs, LLP
Washington, DC
(3) (5)

Deborah D. Rieman
Executive Chairman
MetaMarkets Group
Woodside, CA
(1) (2)

Hansel E. Tookes II
Retired Chairman
& Chief Executive Officer
Raytheon Aircraft Company
Palm Beach Gardens, FL
(2) (5) (6)

Wendell P. Weeks
Chairman of the Board,
Chief Executive Officer
& President
Corning Incorporated
Corning, NY
(6)

Mark S. Wrighton
Chancellor
& Professor of Chemistry
Washington University
in St. Louis
St. Louis, MO
(1) (4)

Corporate Officers

Wendell P. Weeks
Chairman of the Board,
Chief Executive Officer
& President

James B. Flaws
Vice Chairman
& Chief Financial Officer

Kirk P. Gregg
Executive Vice President
& Chief Administrative Officer

Lawrence D. McRae
Executive Vice President —
Strategy & Corporate
Development

David L. Morse
Executive Vice President
& Chief Technology Officer

Lewis A. Steverson
Senior Vice President
& General Counsel

Jeffrey W. Evenson
Senior Vice President
& Operations Chief of Staff

Mark S. Rogus
Senior Vice President
& Treasurer

R. Tony Tripeny
Senior Vice President
& Corporate Controller

Linda E. Jolly
Vice President
& Corporate Secretary

Other Officers

James P. Clappin
President —
Corning Glass Technologies

Martin J. Curran
Executive Vice President
& Innovation Officer

Clark S. Kinlin
Executive Vice President —
Optical Communications

Eric S. Musser
Executive Vice President —
Corning Technologies
& International

Christine M. Pambianchi
Senior Vice President —
Human Resources

Thomas Appelt
President —
Corning International
Emerging Markets

Madapusi K. Badrinarayan
Vice President
& Research Director —
Inorganic & Broad-based
Technologies

John P. Bayne, Jr.
Vice President
& General Manager —
High Performance Displays

Thomas R. Beall
Vice President
& Lead Intellectual
Property Counsel

Gary S. Calabrese
Senior Vice President —
Global Research

Thomas G. Capek
Vice President
& Chief Engineer

Cheryl C. Capps
Vice President —
Global Supply Management

Jack H. Cleland
Senior Vice President
& Deputy General Counsel

Charles R. Craig
Senior Vice President —
Science & Technology

Michael W. Donnelly
Vice President —
Business Services

Richard M. Eglen
Vice President
& General Manager —
Life Sciences

Li Fang
President
& General Manager —
Corning Greater China

Lisa Ferrero
General Manager —
Display Technologies

Susan L. Ford
Vice President — Tax

Vivian L. Gernand
Vice President
& Chief Information
Security Officer

Clifford L. Hund
General Manager
& President —
Corning East Asia

John R. Igel
Vice President
& General Manager —
Corning Optical Communications

Wilfred M. Kenan, Jr.
Vice President
& Manufacturing Manager —
Environmental Technologies

John P. MacMahon
Senior Vice President —
Global Compensation
& Benefits

Jean-Pierre Mazeau
Senior Vice President —
Corporate Product
& Process Development

Kevin J. McManus
Senior Vice President
& Chief Information Officer

Stephen P. Miller
Vice President —
Strategy
Corning Optical Communications
& Corporate Development

Avery H. Nelson III
Vice President
& General Manager —
Environmental Technologies

Timothy J. Regan
Senior Vice President —
Worldwide Government Affairs

Robert J. Ritchie
Vice President —
Technology Exchange

James R. Steiner
Senior Vice President
& General Manager —
Specialty Materials

Lydia Kenton Walsh
Vice President —
Commercial Operations
Life Sciences

Curt Weinstein
Vice President
& General Manager —
Advanced Optics

Mariam O. Wright
Senior Vice President —
Global Manufacturing & Quality

Board Committees

(1) Audit; (2) Compensation; (3) Corporate Relations; (4) Finance; (5) Nominating & Corporate Governance; (6) Executive

CORNING

Corning Incorporated
One Riverfront Plaza
Corning, NY 14831-0001
U.S.A.
www.corning.com

02AR40014EN

For more facts on Corning, visit www.corning.com/FactCentral