CORNING INC /NY
Form 10-Q
July 30, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 1-3247

CORNING INCORPORATED
(Exact name of registrant as specified in its charter)

New York	16-0393470
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Riverfront Plaza, Corning, New York	14831
(Address of principal executive offices)	(Zip Code)

607-974-9000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of July 15, 2015
Corning's Common Stock, $0.50 par value per share	1,225,935,145 shares

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net sales	$ 2,343	$ 2,482	$ 4,608	$ 4,771
Cost of sales	1,368	1,450	2,704	2,804
Gross margin	975	1,032	1,904	1,967
Operating expenses:				
Selling, general and administrative expenses	337	322	653	719
Research, development and engineering expenses	191	208	380	406
Amortization of purchased intangibles	16	8	28	16
Restructuring, impairment and other charges		34		51
Operating income	431	460	843	775
Equity in earnings of affiliated companies	62	62	156	148
Interest income	5	4	10	16
Interest expense	(33)	(30)	(63)	(60)
Transaction-related gain, net				74
Foreign currency hedge gain (loss), net	164	(137)	206	(143)
Other (expense) income, net	(23)	(18)	(53)	12
Income before income taxes	606	341	1,099	822
Provision for income taxes (Note 4)	(110)	(172)	(196)	(352)
Net income attributable to Corning Incorporated	$ 496	$ 169	$ 903	$ 470
Earnings per common share attributable to Corning Incorporated:				
Basic (Note 5)	$ 0.38	$ 0.11	$ 0.68	$ 0.32
Diluted (Note 5)	$ 0.36	$ 0.11	$ 0.65	$ 0.32
Dividends declared per common share (1)	$ 0.12	$ 0.10	$ 0.12	$ 0.20

(1) The first quarter 2015 dividend was declared on December 3, 2014.

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

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

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Net income attributable to Corning Incorporated	$ 496	$ 169	$ 903	$ 470
Foreign currency translation adjustments and other	(40)	269	(296)	137
Net unrealized (losses) gains on investments		(9)	1	4
Unamortized gains (losses) and prior service credits (costs) for postretirement benefit plans	5	(6)	6	3
Net unrealized gains (losses) on designated hedges		1	5	(3)
Other comprehensive (loss) income, net of tax (Note 15)	(35)	255	(284)	141
Comprehensive income attributable to Corning Incorporated	$ 461	$ 424	$ 619	$ 611

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

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

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 4,968	$ 5,309
Short-term investments, at fair value (Note 6)	505	759
Total cash, cash equivalents and short-term investments	5,473	6,068
Trade accounts receivable, net of doubtful accounts and allowances - $46 and $47	1,545	1,501
Inventories, net of inventory reserves - $125 and $127 (Note 7)	1,385	1,322
Deferred income taxes (Note 4)	291	248
Other current assets	1,174	1,099
Total current assets	9,868	10,238
Investments (Note 8)	1,844	1,801
Property, plant and equipment, net of accumulated depreciation - $8,784 and $8,332 (Note 10)	12,669	12,766
Goodwill, net (Note 11)	1,343	1,150
Other intangible assets, net (Note 11)	700	497
Deferred income taxes (Note 4)	1,808	1,889
Other assets	1,656	1,722
Total Assets	$ 29,888	$ 30,063
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt (Note 3)	$ 102	$ 36
Accounts payable	930	997
Other accrued liabilities (Note 2)	990	1,291
Total current liabilities	2,022	2,324
Long-term debt (Note 3)	3,910	3,227
Postretirement benefits other than pensions (Note 12)	781	814
Other liabilities (Note 2)	2,120	2,046
Total liabilities	8,833	8,411
Commitments and contingencies (Note 2)		
Shareholders’ equity (Note 15):		
Convertible preferred stock, Series A – Par value $100 per share; Shares authorized 3,100; Shares issued: 2,300	2,300	2,300
Common stock – Par value $0.50 per share; Shares authorized 3.8 billion; Shares issued: 1,680 million and 1,672 million	840	836
Additional paid-in capital – common stock	13,578	13,456

Retained earnings	13,727	13,021
Treasury stock, at cost; Shares held: 449 million and 398 million	(7,871)	(6,727)
Accumulated other comprehensive loss	(1,591)	(1,307)
Total Corning Incorporated shareholders' equity	20,983	21,579
Noncontrolling interests	72	73
Total equity	21,055	21,652
Total Liabilities and Equity	$ 29,888	$ 30,063

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

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

	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash Flows from Operating Activities:		
Net income	$ 903	$ 470
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	562	583
Amortization of purchased intangibles	28	16
Restructuring, impairment and other charges		51
Stock compensation charges	25	28
Equity in earnings of affiliated companies	(156)	(148)
Dividends received from affiliated companies	95	1,641
Deferred tax expense provision	31	103
Restructuring payments	(23)	(17)
Employee benefit payments in excess of expense	(8)	(28)
(Gains) losses on foreign currency hedges related to translated earnings	(191)	139
Unrealized translation losses (gains) on transactions	236	(60)
Changes in certain working capital items:		
Trade accounts receivable	(25)	(11)
Inventories	(54)	13
Other current assets	(100)	28
Accounts payable and other current liabilities	(191)	(384)
Other, net	16	56
Net cash provided by operating activities	1,148	2,480
Cash Flows from Investing Activities:		
Capital expenditures	(641)	(478)
Acquisitions of business, net of cash (paid) received	(531)	66
Investment in unconsolidated entities	(33)	(109)
Proceeds from loan repayments from unconsolidated entities	6	11
Short-term investments – acquisitions	(570)	(803)
Short-term investments – liquidations	825	574
Realized gains on foreign currency hedges related to translated earnings	321	152
Other, net		4
Net cash used in investing activities	(623)	(583)
Cash Flows from Financing Activities:		
Net repayments of short-term borrowings and current portion of long-term debt		(42)
Principal payments under capital lease obligations	(1)	(1)
Proceeds from issuance of short-term debt	2	17
Proceeds from issuance of long-term debt	745	
Proceeds from issuance of commercial paper		416
Proceeds from issuance of preferred stock (1)		400

Payments from settlement of interest rate swap arrangements	(10)	
Proceeds from the exercise of stock options	98	84
Repurchases of common stock for treasury	(1,093)	(2,076)
Dividends paid	(350)	(287)
Net cash used in financing activities	(609)	(1,489)
Effect of exchange rates on cash	(257)	6
Net (decrease) increase in cash and cash equivalents	(341)	414
Cash and cash equivalents at beginning of period	5,309	4,704
Cash and cash equivalents at end of period	$ 4,968	$ 5,118

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

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Significant Accounting Policies

Basis of Presentation

In these notes, the terms “Corning,” “Company,” “we,” “us” or “our” mean Corning Incorporated and subsidiary companies.

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) for interim financial information. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with Corning’s consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2014 (“2014 Form 10-K”).

The unaudited consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of operations, financial position and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the full year.

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.

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.

In July 2015, the FASB approved a one-year deferral of the effective date of ASU 2014-09, Revenue from Contracts with Customers. We can elect to adopt the provisions of ASU 2014-09 for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. We are currently assessing the adoption date and potential impact of adopting this ASU on our financial statements and related disclosures.

2. Commitments, Contingencies and Guarantees

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"). 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 June 30, 2015, 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. In prior periods, Corning recorded in its estimated asbestos litigation liability an additional $150 million for these and any future non-PCC asbestos cases.

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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 $685 million at June 30, 2015, compared with an estimate of liability of $681 million at December 31, 2014. The $685 million liability is comprised of $245 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 June 30, 2015 and December 31, 2014, the fair value of $245 million and $241 million of our interest in PCE significantly exceeded its carrying value of $151 million and $162 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 three months ended June 30, 2015 and 2014, Corning recorded asbestos litigation expense of $2 million and $4 million, respectively. For the six months ended June 30, 2015 and 2014, Corning recorded asbestos litigation expense of $3 million and $6 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.

Other Commitments and Contingencies

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, any 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. When provided, these guarantees have various terms, and none of these guarantees are individually significant.

As of June 30, 2015 and December 31, 2014, contingent guarantees totaled a notional value of $174 million and $150 million, respectively. We believe a significant majority of these contingent guarantees will expire without being funded. We also were contingently liable for purchase obligations of $311 million and $287 million, at June 30, 2015 and December 31, 2014, respectively.

Product warranty liability accruals were considered insignificant at June 30, 2015 and December 31, 2014.

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Corning is a defendant in various lawsuits, including environmental, product-related suits, the Dow Corning and PCC matters, 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 June 30, 2015 and December 31, 2014, Corning had accrued approximately $41 million (undiscounted) and $43 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 June 30, 2015, 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.

3. Debt

Based on borrowing rates currently available to us for loans with similar terms and maturities, the fair value of long-term debt was $4.2 billion at June 30, 2015 and $3.6 billion at December 31, 2014, compared to recorded book values of $3.9 billion at June 30, 2015 and $3.2 billion at December 31, 2014. The Company measures the fair value of its long-term debt using Level 2 inputs based primarily on current market yields for its existing debt traded in the secondary market.

Debt Issuances

2015

In the second quarter of 2015, we issued $375 million of 1.50% senior unsecured notes that mature on May 8, 2018 and $375 million of 2.90% senior unsecured notes that mature on May 15, 2022. The net proceeds of $745 million will be used for general corporate purposes. We can redeem these debentures at any time, subject to certain stipulations.

4. Income Taxes

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Provision for income taxes	$ (110)	$ (172)	$ (196)	$ (352)

Effective tax rate	18.2%	50.4%	17.8%	42.8%

For the three and six months ended June 30, 2015, the effective income tax rate differed from the U.S. statutory rate of 35% primarily due to the following benefits:

- Rate differences on income (loss) of consolidated foreign companies, including the benefit of excess foreign tax credits resulting from a taxable intercompany loan made to the U.S. and the repatriation of a small portion of high-tax foreign current year earnings; and
- The impact of equity in earnings of nonconsolidated affiliates reported in the financials, net of tax.

For the three and six months ended June 30, 2014, the effective income tax rate differed from the U.S. statutory rate of 35% primarily due to the following benefits:

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

These benefits were more than offset by discrete tax charges of: 1) $102 million related to South Korean withholding tax on a dividend paid by Samsung Corning Precision Materials to Corning wholly owned foreign subsidiaries for the six months ended June 30, 2014; and 2) $135 million and $146 million attributable to a change in judgment on the realizability of certain foreign deferred tax assets for the three and six months ended June 30, 2014, respectively.

Corning's subsidiary in Taiwan is operating under tax holiday arrangements. The benefit of the arrangement phases out through 2018. The impact of the tax holiday on our effective tax rate is a reduction in the rate of 0.4 and 1.4 percentage points for the three months ended June 30, 2015 and 2014, respectively. The impact of the tax holiday on our effective tax rate is a reduction in the rate of 0.4 and 1.3 for the six months ended June 30, 2015 and 2014, respectively.

Corning continues to indefinitely reinvest substantially all of its foreign earnings, with the exception of approximately $6 million of current earnings in 2015 that have a net tax benefit 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 or the development of tax planning ideas that allow us to repatriate earnings at little or no tax cost or with a tax benefit, 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. 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.

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.

5. Earnings per Common Share

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income attributable to Corning Incorporated	$ 496	$ 169	$ 903	$ 470
Less: Series A convertible preferred stock dividend	24	24	49	45
Net income available to common stockholders - basic	472	145	854	425
Plus: Series A convertible preferred stock dividend	24		49	
Net income available to common stockholders - diluted	$ 496	$ 145	$ 903	$ 425
Weighted-average common shares outstanding - basic	1,246	1,302	1,257	1,331
Effect of dilutive securities:				
Stock options and other dilutive securities	10	13	11	12
Series A convertible preferred stock	115		115	
Weighted-average common shares outstanding - diluted	1,371	1,315	1,383	1,343
Basic earnings per common share	$ 0.38	$ 0.11	$ 0.68	$ 0.32
Diluted earnings per common share	$ 0.36	$ 0.11	$ 0.65	$ 0.32
Antidilutive potential shares excluded from diluted earnings per common share:				
Series A convertible preferred stock		115		106
Employee stock options and awards	20	20	17	24
Accelerated share repurchase forward contract				6
Total	20	135	17	136

6. Available-for-Sale Investments

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

	Amortized cost		Fair value	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Bonds, notes and other securities:				
U.S. government and agencies	$ 505	$ 759	$ 505	$ 759
Total short-term investments	$ 505	$ 759	$ 505	$ 759
Asset-backed securities	$ 40	$ 42	$ 35	$ 38
Total long-term investments	$ 40	$ 42	$ 35	$ 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 June 30, 2015 (in millions):

Less than one year	$505
Due in 1-5 years	
Due in 5-10 years	
Due after 10 years (1)	35
Total	$540

(1) Includes $35 million of asset-based securities that mature over time and are being reported at their final maturity dates.

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) income in shareholders' equity until realized.

The following tables provide the fair value and gross unrealized losses of the Company's investments aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2015 and December 31, 2014 (dollars in millions):

	June 30, 2015				
		12 months or greater		Total	
	Number of securities in a loss position	Fair value	Unrealized losses (1)	Fair value	Unrealized losses
Asset-backed securities	21	$ 35	$ (4)	$ 35	$ (4)
Total long-term investments	21	$ 35	$ (4)	$ 35	$ (4)

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

	December 31, 2014				
		12 months or greater		Total	
	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.

As of June 30, 2015 and December 31, 2014, for securities that have credit losses, an other than temporary impairment loss of $4 million in both periods is recognized in accumulated other comprehensive (loss) income.

For the six months ended June 30, 2015 and 2014, proceeds from sales and maturities of short-term investments totaled approximately $0.8 billion and $0.6 billion, respectively.

7. Inventories, Net of Inventory Reserves

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

	June 30, 2015	December 31, 2014
Finished goods	$ 585	$ 486
Work in process	267	255
Raw materials and accessories	245	302
Supplies and packing materials	288	279
Total inventories, net of inventory reserves	$ 1,385	$ 1,322

8. Investments

Dow Corning Corporation ("Dow Corning")

Dow Corning is a U.S.-based manufacturer of silicone products. Dow Corning's results of operations follow (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Statement of Operations:				
Net sales	$ 1,424	$ 1,501	$ 2,788	$ 3,025
Gross profit (1)	$ 364	$ 349	$ 722	$ 720
Net income attributable to Dow Corning	$ 113	$ 109	$ 298	$ 300
Corning's equity in earnings of Dow Corning	$ 57	$ 54	$ 149	$ 146

(1) Gross profit for the three and six months ended June 30, 2015 includes research and development costs of $63 million and $125 million (2014: $70 million and $137 million).

Dow Corning's net income in the three and six months ended June 30, 2015 included a pre-tax gain of $29 million from the settlement of an intellectual property dispute and a pre-tax loss of $21 million and $48 million, respectively, on a derivative instrument. Additionally, in the first quarter of 2015, Dow Corning recorded a pre-tax gain of $178 million on the settlement of long-term sales agreements.

Dow Corning's net income in the three and six months ended June 30, 2014 includes a pre-tax gain of $25 million and $114 million, respectively, on a derivative instrument, and in the six months ending June 30, 2014 includes a pre-tax gain of $32 million on the settlement of long-term sales agreements.

9. Acquisitions

Corning completed four acquisitions during the first quarter of 2015. During the second quarter of 2015 minor adjustments were made to the preliminary allocation of the total purchase consideration related to working capital adjustments and true-up of the fair value of assets acquired for the four acquisitions. Corning has not completed its accounting for the acquisitions; therefore, amounts are subject to change. A summary of the preliminary allocation of the total purchase consideration for the four acquisitions is as follows (in millions):

Cash and cash equivalents	$ 2
Trade receivables	49
Inventory	28
Property, plant and equipment	37
Other intangible assets	242
Other current and non-current assets	22
Current and non-current liabilities	(59)
Total identified net assets	321
Purchase consideration	(534)
Goodwill (1)	$ 213

(1) The goodwill was allocated to the Optical Communications segment.

The total consideration related to the acquisitions primarily consisted of cash and, in two of the acquisitions, contingent consideration. The contingent consideration arrangements may require additional amounts to be paid in 2016 and 2017 based on projections of future revenues. The combined potential additional consideration is capped at $28 million. The total fair value of the contingent consideration for the two acquisitions was fair valued at $13 million as of the acquisition date and had no changes as of June 30, 2015.

The goodwill generated from these acquisitions is primarily related to the value of the product portfolio and customer/distribution networks acquired, combined with Corning's existing business segments, as well as market participant synergies and other intangibles that do not qualify for separate recognition. The goodwill is partially deductible for income tax purposes.

The acquired amortizable intangible assets have a weighted-average useful life of approximately 10 years.

Acquisition-related costs of $9 million included in selling, general and administrative expense in the Consolidated Statements of Income for the six months ended June 30, 2015 included costs for legal, accounting, valuation and other professional services. The Consolidated Financial Statements include the operating results of each business combination from the date of acquisition. Pro forma results of operations have not been presented because the effects of the acquisitions, individually and in the aggregate, were not material to Corning's financial results.

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

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

	June 30, 2015	December 31, 2014
Land	$ 449	$ 458
Buildings	5,470	5,470
Equipment	14,218	13,848
Construction in progress	1,316	1,322

		21,453		21,098
Accumulated depreciation		(8,784)		(8,332)
Total	$	12,669	$	12,766

In the three months ended June 30, 2015 and 2014, interest costs capitalized as part of Property, plant and equipment, net of accumulated depreciation, were $10 million and $11 million, respectively. In the six months ended June 30, 2015 and 2014, interest costs capitalized as part of Property, plant and equipment, net of accumulated depreciation, were $21 million and $22 million, respectively.

Manufacturing equipment includes certain components of production equipment that are constructed of precious metals. At June 30, 2015 and December 31, 2014, the recorded value of precious metals totaled $3.0 billion and $3.1 billion, respectively. Depletion expense for precious metals in the three months ended June 30, 2015 and 2014 totaled $5 million in both periods. Depletion expense for precious metals in the six months ended June 30, 2015 and 2014 totaled $12 million and $13 million, respectively.

11. Goodwill and Other Intangible Assets

The carrying amount of goodwill by segment for the periods ended June 30, 2015 and December 31, 2014 is as follows (in millions):

	Optical Communications	Display Technologies	Specialty Materials	Life Sciences	Total
Balance at December 31, 2014	$ 238	$ 134	$ 198	$ 580	$ 1,150
Acquired goodwill (1)	220				220
Measurement period adjustments	(7)				(7)
Foreign currency translation adjustment	(1)	(2)	(4)	(13)	(20)
Balance at June 30, 2015	$ 450	$ 132	$ 194	$ 567	$ 1,343

(1) The Company completed several acquisitions in the Optical Communications segment during the first half of 2015. Refer to Note 9 (Acquisitions) to the Consolidated Financial Statements for additional information on these acquisitions.

Corning's gross goodwill balances for the periods ended June 30, 2015 and December 31, 2014 were $7.8 billion and $7.6 billion, respectively. Accumulated impairment losses were $6.5 billion for the periods ended June 30, 2015 and December 31, 2014, and were generated entirely through goodwill impairments related to the Optical Communications segment recorded primarily in 2001.

Other intangible assets are as follows (in millions):

	June 30, 2015			December 31, 2014		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Amortized intangible assets:						
Patents, trademarks, and trade names	$ 358	$ 155	$ 203	$ 302	$ 149	$ 153
Customer lists and other	584	87	497	411	67	344
Total	$ 942	$ 242	$ 700	$ 713	$ 216	$ 497

Corning's amortized intangible assets are primarily related to the Optical Communications and Life Sciences segments. The net carrying amount of intangible assets increased during the first six months of 2015, primarily due to acquisitions of $242 million in other intangible assets offset by amortization of $28 million and foreign currency translation adjustments of $11 million.

Amortization expense related to these intangible assets is estimated to be $57 million for 2015, $56 million annually from 2016 to 2019, and $51 million for 2020.

12. Employee Retirement Plans

The following table summarizes the components of net periodic benefit cost for Corning's defined benefit pension and postretirement health care and life insurance plans (in millions):

	Pension benefits				Postretirement benefits			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
Service cost	$ 22	$ 16	$ 45	$ 32	$ 4	$ 2	$ 7	$ 5
Interest cost	37	38	73	76	8	9	16	18
Expected return on plan assets	(44)	(43)	(89)	(86)				
Amortization of net loss					1		2	
Amortization of prior service cost (credit)	1	1	3	3	(2)	(1)	(3)	(2)
Recognition of actuarial loss	8		8					
Total pension and postretirement benefit expense	$ 24	$ 12	$ 40	$ 25	$ 11	$ 10	$ 22	$ 21

13. Hedging Activities

Undesignated Hedges

The table below includes a total gross notional value for the foreign currency hedges related to translated earnings of $13.2 billion at June 30, 2015 (at December 31, 2014: $12.1 billion), including purchased and zero-cost collars of $5.3 billion (at December 31, 2014: $2.3 billion) and average rate forwards of $7.9 billion (at December 31, 2014: $9.8 billion). With respect to the purchased and zero-cost collars, the gross notional amount includes the value of both the put and call options. However, due to the nature of the purchased and zero-cost collars, either the put or the call option can be exercised at maturity. As of June 30, 2015, the total net notional value of the purchased and zero-cost collars was $2.8 billion (at December 31, 2014: $1.2 billion).

The following tables summarize the notional amounts and respective fair values of Corning's derivative financial instruments on a gross basis for June 30, 2015 and December 31, 2014 (in millions):

	U.S. Dollar Gross notional amount		Asset derivatives			Liability derivatives		
	June 30, 2015	Dec. 31, 2014	Balance sheet location	Fair value June 30, 2015	Fair value Dec. 31, 2014	Balance sheet location	Fair value June 30, 2015	Fair value Dec. 31, 2014
Derivatives designated as hedging instruments								
Foreign exchange contracts	$ 674	$ 487	Other current assets	$ 31	$ 22	Other accrued liabilities	$ (5)	$ (6)
			Other assets	9		Other liabilities	(1)	
Interest rate contracts	550	1,300	Other assets		1	Other liabilities	(8)	(15)
Derivatives not designated as hedging instruments								
Foreign exchange contracts, other	444	1,285	Other current assets	2	17	Other accrued liabilities	(4)	(5)
Foreign currency hedges related to translated earnings	13,236	12,126	Other current assets	636	649	Other accrued liabilities	(29)	(33)
			Other assets	763	846	Other liabilities	(38)	
Total derivatives	$14,904	$15,198		$1,441	$1,535		$(85)	$(59)

The following tables summarize the effect of derivative financial instruments on Corning's consolidated financial statements for the three months ended June 30, 2015 and 2014 (in millions):

	Effect of derivative instruments on the consolidated financial statements for the three months ended June 30		
Derivatives in hedging relationships	Gain/(loss)	Location of gain/(loss)	Gain reclassified from

	recognized in other comprehensive income (OCI)		reclassified from accumulated OCI into income (effective)	accumulated OCI into income (effective) (1)	
	2015	2014		2015	2014
Interest rate hedges	$ 6		Sales	$5	
Foreign exchange contracts	7	$2	Cost of sales	4	
Total cash flow hedges	$13	$2		$9	

(1) The amount of hedge ineffectiveness at June 30, 2015 and 2014 was insignificant.

The following tables summarize the effect of derivative financial instruments on Corning's consolidated financial statements for the six months ended June 30, 2015 and 2014 (in millions):

	Effect of derivative instruments on the consolidated financial statements for the six months ended June 30				
	Gain/(loss) recognized in other comprehensive income (OCI)		Location of gain/(loss) reclassified from accumulated OCI into income (effective)	Gain reclassified from accumulated OCI into income (effective) (1)	
Derivatives in hedging relationships	2015	2014		2015	2014
Interest rate hedges	$ (7)		Sales	$10	
Foreign exchange contracts	34	$(5)	Cost of sales	6	
Total cash flow hedges	$ 27	$(5)		$16	

(1) The amount of hedge ineffectiveness at June 30, 2015 and 2014 was insignificant.

The following table summarizes the effect on the consolidated financial statements relating to Corning's derivative financial instruments (in millions):

		Gain (loss) recognized in income			
		Three months ended June 30,		Six months ended June 30,	
Undesignated derivatives	Location of gain/(loss) recognized in income	2015	2014	2015	2014
Foreign exchange contracts – balance sheet	Foreign currency hedge gain (loss), net	$ 2	$ 7	$ 13	$ (5)
Foreign exchange contracts – loans	Foreign currency hedge gain (loss), net		(3)	2	1
Foreign currency hedges related to translated earnings	Foreign currency hedge gain (loss), net	162	(141)	191	(139)
Total undesignated		$ 164	$ (137)	$ 206	$ (143)

14. 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.

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The following tables provide fair value measurement information for the Company's major categories of financial assets and liabilities measured on a recurring basis (in millions):

	June 30, 2015	Fair value measurements at reporting date using 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	$ 505	$ 505		
Other current assets (1)	$ 669		$ 669	
Non-current assets:				
Other assets (1)(2)	$ 1,265		$ 807	$ 458
Current liabilities:				
Other accrued liabilities (1)(3)	$ 41		$ 38	$ 3
Non-current liabilities:				
Other liabilities (1)(3)	$ 57		$ 47	$ 10

(1) Derivative assets and liabilities include foreign exchange forward and purchased collar contracts, and interest rate swaps 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 contingent consideration assets which are measured by applying an option pricing model using projected future revenue.

(3) Other accrued liabilities and other liabilities include Level 3 contingent consideration payables which are measured by applying an option pricing model using projected future revenues.

	December 31, 2014	Fair value measurements at reporting date using 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 (1)(2)	$ 1,330		$ 885	$ 445
Current liabilities:				
Other accrued liabilities (1)	$ 44		$ 44	
Non-current liabilities:				
Other liabilities (1)	$ 15		$ 15	

(1) Derivative assets and liabilities include foreign exchange forward and purchased collar contracts, and interest rate swaps 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 contingent consideration assets which are measured by applying an option pricing model using projected future revenue.

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. 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 June 30, 2015 and December 31, 2014, the fair value of the potential receipt of the contingent consideration in 2018 was $458 million and $445 million, respectively.

As a result of the acquisitions of iBwave Solutions Inc. and the fiber-optics business of Samsung Electronics Co., Ltd., the Company has contingent consideration that was measured using unobservable (Level 3) inputs. As of June 30, 2015, the fair value of the contingent consideration payable is $13 million.

There were no significant financial assets and liabilities measured on a nonrecurring basis during the six months ended June 30, 2015.

15. 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 2,300 shares of Preferred Stock at an issue price of $1 million per share, for an aggregate issue price of $2.3 billion. 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 June 30, 2015, the Preferred Stock has not been converted, and none of the anti-dilution provisions have been triggered.

Share Repurchases

During the three and six months ended June 30, 2015, we repurchased 29.4 million and 50.5 million shares of common stock for $626 million and $1,128 million, respectively, as part of a $1.5 billion share repurchase program announced on December 3, 2014.

Accumulated Other Comprehensive Income

In the three and six months ended June 30, 2015 and 2014, the primary changes in accumulated other comprehensive income ("AOCI") were related to the foreign currency translation component.

A summary of changes in the foreign currency translation adjustment component of AOCI is as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Beginning balance	$ (837)	$ 360	$ (581)	$ 492
Other comprehensive (loss) income	(62)	262	(236)	287
Equity method affiliates	22	7	(60)	(150)
Net current-period other comprehensive income	(40)	269	(296)	137
Ending balance	$ (877)	$ 629	$ (877)	$ 629

In the first quarter of 2014, a $136 million cumulative foreign currency translation gain was released to income as a result of the step acquisition of Corning Precision Materials and included in the gain on previously held equity investment.

There were no material tax effects related to foreign currency translation gains and losses.

16. Share-based Compensation

Stock Compensation Plans

The Company measures and recognizes compensation cost for all share-based payment awards made to employees and directors based on estimated fair values. Fair values for stock options were estimated using a multiple-point Black-Scholes valuation model. Share-based compensation cost was approximately $15 million and $13 million for the three months ended June 30, 2015 and 2014, respectively, and approximately $25 million and $28 million for the six months ended June 30, 2015 and 2014, respectively. Amounts for all periods presented included compensation expense for employee stock options and time-based restricted stock and restricted stock units.

Stock Options

Corning's stock option plans provide non-qualified and incentive stock options to purchase authorized but unissued shares, 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 stock options outstanding including the related transactions under the stock option plans for the six months ended June 30, 2015:

	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, 2014	48,724	$18.94		
Granted	1,572	21.49		
Exercised	(5,994)	16.36		
Forfeited and Expired	(135)	17.10		
Options Outstanding as of June 30, 2015	44,167	19.39	4.37	$134,198
Options Expected to Vest as of June 30, 2015	44,103	19.39	4.36	134,060
Options Exercisable as of June 30, 2015	36,560	19.85	3.52	105,383

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 June 30, 2015, which would have been received by the option holders had all option holders exercised their "in-the-money" options as of that date.

As of June 30, 2015, there was approximately $10 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 2.0 years. Compensation cost related to stock options was approximately $7 million and $5 million for the three months ended June 30, 2015 and 2014, respectively, and approximately $11 million for each of the six month periods ended June 30, 2015 and 2014.

Proceeds received from the exercise of stock options were $98 million and $84 million for the six months ended June 30, 2015 and 2014, respectively. Proceeds received from the exercise of stock options were included in financing activities on the Company's Consolidated Statements of Cash Flows. The total intrinsic value of options exercised for the six months ended June 30, 2015 and 2014 was approximately $46 million and $51 million, respectively. The income tax benefit realized from share-based compensation was not significant for the three and six months ended June 30, 2015. There was an immaterial amount of income tax benefits realized from share-based compensation for the three and six months ended June 30, 2014 due to net credit carryforwards available to the Company. Refer to Note 4 (Income Taxes) to the consolidated financial statements.

The following inputs were used for the valuation of option grants under our stock option plans:

	Three months ended June 30,						Six months ended June 30,					
	2015			2014			2015			2014		
Expected volatility	44.5	-	44.5%	45.8	-	45.8%	44.5	-	44.9%	45.8	-	46.2%
Weighted-average volatility	44.5	-	44.5%	45.8	-	45.8%	44.5	-	44.9%	45.8	-	46.2%
Expected dividends	2.24	-	2.24%	1.90	-	1.90%	1.92	-	2.24%	1.90	-	2.09%
Risk-free rate	1.9	-	1.9%	2.2	-	2.2%	1.9	-	1.9%	2.2	-	2.2%
Average risk-free rate	1.9	-	1.9%	2.2	-	2.2%	1.9	-	1.9%	2.2	-	2.2%
Expected term (in years)	7.2	-	7.2	7.2	-	7.2	7.2	-	7.2	7.2	-	7.2
Pre-vesting departure rate	0.6	-	0.6%	0.5	-	0.5%	0.6	-	0.6%	0.5	-	0.5%

Expected volatility is based on a blended approach 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 rate assumption is the implied rate for a zero-coupon U.S. Treasury bond with a term equal to the option's expected term. The ranges in the table above reflect results from separate groups of employees exhibiting different exercise behavior.

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 is based on the grant date closing price of the Company's stock.

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, 2014, and changes which occurred during the six months ended June 30, 2015:

	Shares (000's)	Weighted Average Grant-Date Fair Value
Non-vested shares and share units at December 31, 2014	5,737	$ 15.43
Granted	1,329	22.60
Vested	(1,656)	13.73
Forfeited	(9)	22.68
Non-vested shares and share units at June 30, 2015	5,401	$ 17.70

As of June 30, 2015, there was approximately $37 million of unrecognized compensation cost related to non-vested 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 1.8 years. Compensation cost related to time-based restricted stock and restricted stock units was approximately $8 million for each of the three month periods ended June 30, 2015 and 2014, and approximately $14 million and $17 million for the six months ended June 30, 2015 and 2014, respectively.

17. Significant Customers

Corning had one customer that individually accounted for 11% of the Company's consolidated net sales in the three and six months ended June 30, 2015. For the three and six months ended June 30, 2014, Corning had one customer that individually accounted for 14% of the Company's consolidated net sales.

18. 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 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.

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.

Reportable Segments (in millions)

	Display Technologies	Optical Communications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Three months ended June 30, 2015							
Net sales	$ 789	$ 800	$ 260	$ 272	$ 211	$ 11	$ 2,343
Depreciation (1)	$ 152	$ 43	$ 32	$ 27	$ 15	$ 11	$ 280
Amortization of purchased intangibles		$ 11			$ 5		$ 16
Research, development and engineering expenses (2)	$ 26	$ 35	$ 23	$ 29	$ 6	$ 44	$ 163
Restructuring, impairment and other charges				$ 3			$ 3
Equity in earnings of affiliated companies	$ (3)					$ 6	$ 3
Income tax (provision) benefit	$ (136)	$ (37)	$ (22)	$ (22)	$ (9)	$ 21	$ (205)
Net income (loss) (3)	$ 303	$ 77	$ 46	$ 44	$ 18	$ (45)	$ 443

	Display Technologies	Optical Communications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Three months ended June 30, 2014							
Net sales	$ 987	$ 686	$ 285	$ 298	$ 223	$ 3	$ 2,482
Depreciation (1)	$ 171	$ 37	$ 30	$ 29	$ 16	$ 7	$ 290
Amortization of purchased intangibles		$ 2			$ 6		$ 8
Research, development and engineering expenses (2)	$ 41	$ 34	$ 21	$ 34	$ 5	$ 48	$ 183
Restructuring, impairment and other charges	$ 24					$ 10	$ 34
Equity in earnings of affiliated companies	$ (4)		$ 1			$ 7	$ 4
Income tax (provision) benefit	$ (119)	$ (31)	$ (23)	$ (21)	$ (9)	$ 22	$ (181)
	$ 282	$ 61	$ 47	$ 39	$ 18	$ (59)	$ 388

Net income
(loss) (3)

	Display Technologies	Optical Communications	Environmental Technologies	Specialty Materials	Life Sciences	All Other	Total
Six months ended June 30, 2015							
Net sales	$ 1,597	$ 1,497	$ 542	$ 544	$ 408		