

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(Unaudited; in millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2018	2017
Net sales	\$ 2,500	\$ 2,375
Cost of sales	<u>1,545</u>	<u>1,424</u>
Gross margin	955	951
Operating expenses:		
Selling, general and administrative expenses	501	319
Research, development and engineering expenses	241	202
Amortization of purchased intangibles	<u>19</u>	<u>17</u>
Operating income	194	413
Equity in earnings of affiliated companies	39	80
Interest income	13	12
Interest expense	(52)	(37)
Translated earnings contract loss, net	(622)	(438)
Other expense, net	<u>(37)</u>	<u>(10)</u>
(Loss) income before income taxes	(465)	20
(Provision) benefit for income taxes	<u>(124)</u>	<u>66</u>
Net (loss) income attributable to Corning Incorporated	<u>\$ (589)</u>	<u>\$ 86</u>
(Loss) earnings per common share attributable to Corning Incorporated:		
Basic	<u>\$ (0.72)</u>	<u>\$ 0.07</u>
Diluted	<u>\$ (0.72)</u>	<u>\$ 0.07</u>
Dividends declared per common share	<u>\$ 0.18</u>	<u>\$ 0.155</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except share and per share amounts)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,096	\$ 4,317
Trade accounts receivable, net of doubtful accounts and allowances	1,747	1,807
Inventories, net of inventory reserves	1,834	1,712
Other current assets	986	991
Total current assets	7,663	8,827
Investments	345	340
Property, plant and equipment, net of accumulated depreciation	14,416	14,017
Goodwill, net	1,698	1,694
Other intangible assets, net	851	869
Deferred income taxes	909	813
Other assets	952	934
Total Assets	\$ 26,834	\$ 27,494
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 380	\$ 379
Accounts payable	1,164	1,439
Other accrued liabilities	1,451	1,391
Total current liabilities	2,995	3,209
Long-term debt	4,808	4,749
Postretirement benefits other than pensions	746	749
Other liabilities	3,797	3,017
Total liabilities	12,346	11,724
Commitments, contingencies and guarantees		
Shareholders' equity:		
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: 1,709 million and 1,708 million	854	854
Additional paid-in capital – common stock	14,119	14,089
Retained earnings	15,166	15,930
Treasury stock, at cost; Shares held: 877 million and 850 million	(17,449)	(16,633)
Accumulated other comprehensive loss	(577)	(842)
Total Corning Incorporated shareholders' equity	14,413	15,698
Noncontrolling interests	75	72
Total equity	14,488	15,770
Total Liabilities and Equity	\$ 26,834	\$ 27,494

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three Months Ended	
	March 31,	
	2018	2017
Cash Flows from Operating Activities:		
Net (loss) income	\$ (589)	\$ 86
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	304	260
Amortization of purchased intangibles	19	17
Equity in earnings of affiliated companies	(39)	(80)
Dividends received from affiliated companies		34
Deferred tax benefit	16	(121)
Customer incentives and deposits	276	
Translated earnings contract loss	622	438
Unrealized translation gains on transactions	(63)	(67)
Changes in certain working capital items:		
Trade accounts receivable	94	(54)
Inventories	(98)	(49)
Other current assets	(92)	(60)
Accounts payable and other current liabilities	(162)	(230)
Other, net	32	17
Net cash provided by operating activities	320	191
Cash Flows from Investing Activities:		
Capital expenditures	(655)	(364)
Acquisition of business, net of cash received		(35)
Realized gains on translated earnings contracts	13	80
Other, net	(2)	(7)
Net cash used in investing activities	(644)	(326)
Cash Flows from Financing Activities:		
Principal payments under capital lease obligations	(1)	
Payments of employee withholding tax on stock awards	(2)	(2)
Proceeds from the exercise of stock options	21	182
Repurchases of common stock for treasury	(800)	(400)
Dividends paid	(177)	(168)
Net cash used in financing activities	(959)	(388)
Effect of exchange rates on cash	62	76
Net decrease in cash and cash equivalents	(1,221)	(447)
Cash and cash equivalents at beginning of period	4,317	5,291
Cash and cash equivalents at end of period	\$ 3,096	\$ 4,844

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
(Unaudited)

GAAP (Loss) Earnings per Common Share

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

	Three Months Ended March 31,	
	2018	2017
Net (loss) income attributable to Corning Incorporated	\$ (589)	\$ 86
Less: Series A convertible preferred stock dividend	24	24
Net (loss) income available to common stockholders – basic	(613)	62
Net (loss) income available to common stockholders – diluted	\$ (613)	\$ 62
Weighted-average common shares outstanding - basic	848	925
Effect of dilutive securities:		
Stock options and other dilutive securities		11
Weighted-average common shares outstanding - diluted	848	936
Basic (loss) earnings per common share	\$ (0.72)	\$ 0.07
Diluted (loss) earnings per common share	\$ (0.72)	\$ 0.07

Core Earnings per Common Share

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

	Three Months Ended March 31,	
	2018	2017
Core earnings attributable to Corning Incorporated	\$ 299	\$ 376
Less: Series A convertible preferred stock dividend	24	24
Core earnings available to common stockholders - basic	275	352
Add: Series A convertible preferred stock dividend	24	24
Core earnings available to common stockholders - diluted	\$ 299	\$ 376
Weighted-average common shares outstanding - basic	848	925
Effect of dilutive securities:		
Stock options and other dilutive securities	10	11
Series A convertible preferred stock	115	115
Weighted-average common shares outstanding - diluted	973	1,051
Core basic earnings per common share	\$ 0.32	\$ 0.38
Core diluted earnings per common share	\$ 0.31	\$ 0.36

CORE PERFORMANCE MEASURES

In managing the Company and assessing our financial performance, we adjust certain measures provided by our consolidated financial statements to exclude specific items to arrive at core performance measures. These items include gains and losses on our translated earnings contracts, acquisition-related costs, certain discrete tax items, restructuring and restructuring-related charges, certain litigation-related expenses, pension mark-to-market adjustments and other items which do not reflect on-going operating results of the Company or our equity affiliates. Additionally, Corning has adopted the use of constant currency reporting for our Display Technologies and Specialty Materials segments for the Japanese yen, South Korean won, Chinese yuan and New Taiwan dollar currencies. The Company believes that the use of constant currency reporting allows investors to understand our results without the volatility of currency fluctuations, and reflects the underlying economics of the translated earnings contracts used to mitigate the impact of changes in currency exchange rates on our earnings and cash flows. Corning also believes that reporting core performance measures provides investors greater transparency to the information used by our management team to make financial and operational decisions.

These measures are not prepared in accordance with Generally Accepted Accounting Principles in the United States (“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, GAAP reporting measures. With respect to the Company’s outlooks for future periods, it is not possible to provide reconciliations for these non-GAAP measures because the Company does not forecast the movement of the Japanese yen, South Korean won, Chinese yuan or New Taiwan dollar against the U.S. dollar, or other items that do not reflect ongoing operations, nor does it forecast items that have not yet occurred or are out of the Company’s control. As a result, the Company is unable to provide outlook information on a GAAP basis.

For a reconciliation of non-GAAP performance measures to their most directly comparable GAAP financial measure, please see “Reconciliation of Non-GAAP Measures” below. See “Items which we exclude from GAAP measures to arrive at Core performance measures” for details on core performance measures.

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

Three Months Ended March 31, 2018

(Unaudited; amounts in millions, except per share amounts)

	Three Months Ended March 31, 2018					
	Net sales	Equity earnings	(Loss) income before taxes	Net (loss) income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 2,500	\$ 39	\$ (465)	\$ (589)	(26.7%)	\$ (0.72)
Constant-currency adjustment (1)	13		36	31		0.04
Translation loss on Japanese yen-denominated debt (2)			39	31		0.04
Translated earnings contract loss (3)			612	531		0.63
Acquisition-related costs (4)			19	15		0.02
Discrete tax items and other tax-related adjustments (5)				171		0.20
Litigation, regulatory and other legal matters (6)			132	103		0.12
Restructuring, impairment and other charges (7)			23	18		0.02
Equity in earnings of affiliated companies (8)		(14)	(14)	(12)		(0.01)
Core performance measures	\$ 2,513	\$ 25	\$ 382	\$ 299	21.7%	\$ 0.31

(a) Based upon statutory tax rates in the specific jurisdiction for each event.

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

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

Three Months Ended March 31, 2017

(Unaudited; amounts in millions, except per share amounts)

	Three Months Ended March 31, 2017						
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	Per share	
As reported - GAAP	\$ 2,375	\$ 80	\$ 20	\$ 86	(330.0%)	\$ 0.07	
Constant-currency adjustment (1)	46		50	37		0.04	
Translated earnings contract loss (3)			442	278		0.26	
Acquisition-related costs (4)			22	15		0.01	
Discrete tax items and other tax-related adjustments (5)				9		0.01	
Litigation, regulatory and other legal matters (6)			(12)	(9)		(0.01)	
Restructuring, impairment and other charges (7)			10	8		0.01	
Equity in earnings of affiliated companies (8)		(72)	(72)	(46)		(0.04)	
Adjustments related to acquisitions (9)			(3)	(2)			
Core performance measures	\$ 2,421	\$ 8	\$ 457	\$ 376	17.7%	\$ 0.36	

(a) Based upon statutory tax rates in the specific jurisdiction for each event.

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended March 31, 2018 and 2017
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2018				Three Months Ended March 31, 2017									
	Gross Margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses	Gross Margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses						
As reported	\$	955	38%	\$	501	\$	241	\$	951	40%	\$	319	\$	202
Constant-currency adjustment (1)		33		(1)		49								
Translated earnings contract gain (3)		(1)												
Acquisition-related costs (4)						4								
Litigation, regulatory and other legal matters (6)				(132)				12						
Restructuring, impairment and other charges (7)		23		(2)										
Adjustments related to acquisitions (9)								4						
Core performance measures	\$	1,010	40%	\$	366	\$	241	\$	1,004	41%	\$	335	\$	202

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Equity in Earnings of Affiliated Companies
Three Months Ended March 31, 2018 and 2017
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017		
	Hemlock Semiconductor	Total equity earnings	Hemlock Semiconductor	Other	Total equity earnings
As reported	\$ 39	\$ 39	\$ 79	\$ 1	\$ 80
Equity in earnings of affiliated companies (8)	(14)	(14)	(72)		(72)
Core Performance Measures	\$ 25	\$ 25	\$ 7	\$ 1	\$ 8

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended March 31, 2018 and 2017
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash flows from operating activities	\$ 320	\$ 191
Realized gains on translated earnings contracts	13	80
Translation losses on cash balances	63	70
Adjusted cash flows from operating activities	\$ 396	\$ 341

Items which we exclude from GAAP measures to arrive at Core performance measures are as follows:

- (1) **Constant-currency adjustments:**
 - Constant-currency:** Because a significant portion of Display Technologies segment revenues are denominated in Japanese yen, and a significant portion of Display Technologies segment manufacturing costs are denominated in Japanese Yen, Korean Won, New Taiwan Dollar and Chinese yuan, management believes it is important to understand the impact on core earnings of translating these currencies into US Dollars. Presenting results on a constant-currency basis mitigates their translation impact and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and establish operational goals and forecasts.
 - Constant-yen:** As of January 1, 2018, we use an internally derived management rate of ¥107, which is closely aligned to our current yen portfolio of foreign currency hedges, 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:** As of January 1, 2018, we use an internally derived management rate of ₩1,175, which is consistent with historical prior period averages of the won, and have recast all periods presented based on this rate.
 - Constant-yuan:** In January, 2018, we began presenting results of the Display Technologies and Specialty Materials segments on a constant-yuan basis to mitigate the translation impact of this currency on these segments. We use an internally derived management rate of yuan 6.7, which is closely aligned to our current yuan portfolio of foreign currency hedges and consistent with historical prior period averages.
 - Constant-Taiwan dollar:** In January, 2018, we began presenting results of the Display Technologies and Specialty Materials segments on a constant-Taiwan dollar basis to mitigate the translation impact of this currency on these segments. We use an internally derived management rate of Taiwan dollar 31, which is closely aligned to our current Taiwan dollar portfolio of foreign currency hedges, and approximates the 10-year historical average of the currency.
- (2) **Translation loss on Japanese yen-denominated debt:** The loss on the translation of our Yen-denominated debt to U.S. dollars.
- (3) **Translated earnings contract loss:** We have excluded the impact of the realized and unrealized gains and losses of our Japanese yen, South Korean won, Chinese yuan and Taiwan dollar-denominated foreign currency hedges related to translated earnings, as well as the unrealized gains and losses of our euro and British pound-denominated foreign currency hedges related to translated earnings.
- (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:** For 2018, this amount primarily relates to the preliminary IRS audit settlement. For 2017, this amount represents the removal of discrete adjustments (e.g. 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.
- (6) **Litigation, regulatory and other legal matters:** Includes amounts related to certain legal matters.
- (7) **Restructuring, impairment and other charges:** This amount includes restructuring, impairment and other charges, and other expenses and disposal costs not classified as restructuring expense.
- (8) **Equity in earnings of affiliated companies:** These adjustments relate to items which do not reflect expected on-going operating results of our affiliated companies, such as restructuring, impairment and other charges and settlements under “take-or-pay” contracts.
- (9) **Adjustments related to acquisitions:** Includes fair value adjustments to the Corning Precision Materials indemnity asset related to contingent consideration, post-combination expenses and other acquisition and disposal adjustments.