

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

(Unaudited; in millions, except per share amounts)

	Three months ended March 31,	
	2016	2015
Net sales	\$ 2,047	\$ 2,265
Cost of sales	1,283	1,336
Gross margin	764	929
Operating expenses:		
Selling, general and administrative expenses	303	316
Research, development and engineering expenses	190	189
Amortization of purchased intangibles	14	12
Restructuring, impairment and other charges	80	
Operating income	177	412
Equity in earnings of affiliated companies	59	94
Interest income	6	5
Interest expense	(41)	(30)
Foreign currency hedge (loss) gain, net	(894)	42
Other income (expense), net	21	(30)
(Loss) income before income taxes	(672)	493
Benefit (provision) for income taxes	304	(86)
Net (loss) income attributable to Corning Incorporated	\$ (368)	\$ 407
(Loss) earnings per common share attributable to Corning Incorporated:		
Basic	\$ (0.36)	\$ 0.30
Diluted	\$ (0.36)	\$ 0.29
Dividends declared per common share ⁽¹⁾	\$ 0.135	\$ 0.00

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

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

	Three months ended	
	March 31,	
	2016	2015
Net (loss) income attributable to Corning Incorporated	\$ (368)	\$ 407
Foreign currency translation adjustments and other	428	(256)
Net unrealized (losses) gains on investments	(2)	1
Unamortized gains (losses) and prior service credits (costs) for postretirement benefit plans		1
Net unrealized (losses) gains on designated hedges	(19)	5
Other comprehensive income (loss), net of tax	407	(249)
Comprehensive income attributable to Corning Incorporated	\$ 39	\$ 158

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

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

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,540	\$ 4,500
Short-term investments, at fair value		100
Trade accounts receivable, net of doubtful accounts and allowances	1,388	1,372
Inventories, net of inventory reserves	1,453	1,385
Other current assets	797	912
Total current assets	7,178	8,269
Investments	2,072	1,975
Property, plant and equipment, net of accumulated depreciation	12,823	12,648
Goodwill, net	1,399	1,380
Other intangible assets, net	703	706
Deferred income taxes	2,428	2,056
Other assets	1,342	1,493
Total Assets	\$ 27,945	\$ 28,527
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 527	\$ 572
Accounts payable	836	934
Other accrued liabilities	1,201	1,308
Total current liabilities	2,564	2,814
Long-term debt	3,910	3,890
Postretirement benefits other than pensions	717	718
Other liabilities	2,767	2,242
Total liabilities	9,958	9,664
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: 1,682 million and 1,681 million	841	840
Additional paid-in capital – common stock	13,638	13,352
Retained earnings	13,290	13,832
Treasury stock, at cost; Shares held: 607 million and 551 million	(10,747)	(9,725)
Accumulated other comprehensive loss	(1,404)	(1,811)
Total Corning Incorporated shareholders' equity	17,918	18,788
Noncontrolling interests	69	75
Total equity	17,987	18,863
Total Liabilities and Equity	\$ 27,945	\$ 28,527

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

	Three months ended March 31,	
	2016	2015
Cash Flows from Operating Activities:		
Net (loss) income	\$ (368)	\$ 407
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	281	279
Amortization of purchased intangibles	14	12
Restructuring, impairment and other charges	80	
Stock compensation charges	9	10
Equity in earnings of affiliated companies	(59)	(94)
Dividends received from affiliated companies		48
Deferred tax benefit	(345)	(5)
Restructuring payments	(3)	(13)
Employee benefit payments less than (in excess of) expense	7	(6)
Losses (gains) on foreign currency hedges related to translated earnings	857	(29)
Unrealized translation (gains) losses on transactions	(123)	298
Changes in certain working capital items:		
Trade accounts receivable	21	35
Inventories	(42)	(1)
Other current assets	(76)	(13)
Accounts payable and other current liabilities	(293)	(314)
Other, net	(43)	(13)
Net cash (used in) provided by operating activities	(83)	601
Cash Flows from Investing Activities:		
Capital expenditures	(270)	(333)
Acquisitions of business, net of cash received		(531)
Proceeds from loan repayments from unconsolidated entities		4
Short-term investments – acquisitions	(20)	(284)
Short-term investments – liquidations	121	282
Realized gains on foreign currency hedges related to translated earnings	93	149
Net cash used in investing activities	(76)	(713)
Cash Flows from Financing Activities:		
Net repayments of short-term borrowings and current portion of long-term debt	(64)	
Proceeds from issuance of commercial paper	19	
Principal payments under capital lease obligations	(1)	
Payments from settlement of interest rate swap agreements		(9)
Proceeds from the exercise of stock options	9	89
Repurchases of common stock for treasury	(703)	(477)
Dividends paid	(173)	(177)
Net cash used in financing activities	(913)	(574)
Effect of exchange rates on cash	112	(319)
Net decrease in cash and cash equivalents	(960)	(1,005)
Cash and cash equivalents at beginning of period	4,500	5,309
Cash and cash equivalents at end of period	\$ 3,540	\$ 4,304

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
(Unaudited)

GAAP (Loss) Earnings per Common Share

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

	Three months ended March 31,	
	2016	2015
Net (loss) income attributable to Corning Incorporated	\$ (368)	\$ 407
Less: Series A convertible preferred stock dividend	(24)	(24)
Net (loss) income available to common stockholders – basic	(392)	383
Add: Series A convertible preferred stock dividend		24
Net (loss) income available to common stockholders - diluted	\$ (392)	\$ 407
Weighted-average common shares outstanding - basic	1,103	1,266
Effect of dilutive securities:		
Stock options and other dilutive securities		13
Series A convertible preferred stock		115
Weighted-average common shares outstanding - diluted	1,103	1,394
Basic (loss) earnings per common share	\$ (0.36)	\$ 0.30
Diluted (loss) earnings per common share	\$ (0.36)	\$ 0.29

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,	
	2016	2015
Core earnings attributable to Corning Incorporated	\$ 340	\$ 484
Less: Series A convertible preferred stock dividend	(24)	(24)
Core earnings available to common stockholders - basic	316	460
Add: Series A convertible preferred stock dividend	24	24
Core earnings available to common stockholders - diluted	\$ 340	\$ 484
Weighted-average common shares outstanding - basic	1,103	1,266
Effect of dilutive securities:		
Stock options and other dilutive securities	8	13
Series A convertible preferred stock	115	115
Weighted-average common shares outstanding - diluted	1,226	1,394
Core basic earnings per common share	\$ 0.29	\$ 0.36
Core diluted earnings per common share	\$ 0.28	\$ 0.35

Use of Non-GAAP Financial Measures

In managing the Company and assessing our financial performance, we supplement certain measures provided by our consolidated financial statements with measures adjusted to exclude certain items, to arrive at core performance measures. We believe reporting core performance measures provides investors greater transparency to the information used by our management team to make financial and operational decisions. Corning has adopted the use of constant currency reporting for the Japanese yen and South Korean won, and uses an internally derived yen-to-dollar management rate of ¥99 and won-to-dollar management rate of ₩1,100.

Net sales, equity in earnings of affiliated companies, and net income are adjusted to exclude the impacts of changes in the Japanese yen and the South Korean won, gains and losses on our foreign currency hedges related to translated earnings, acquisition-related costs, 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. These measures 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 how management evaluates our operational results and trends. These measures are not, and should not be viewed as a substitute for GAAP reporting measures.

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 Display Technologies segment 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 January 1, 2015, we used an internally derived management rate of ¥99, 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: Following the acquisition of Samsung Corning Precision Materials and because a significant portion of Corning Precision Materials' costs are denominated in South 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 South 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.
- (2) Foreign currency hedges related to translated earnings: We have excluded the impact of the gains and losses of our foreign currency hedges related to translated earnings for each period presented.
- (3) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments and external acquisition-related deal costs.
- (4) Discrete tax items and other tax-related adjustments: This represents the removal of discrete adjustments attributable to changes in tax law and other non-operational tax-related adjustments.
- (5) 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 other legal matters.

- (6) Restructuring, impairment and other charges: This amount includes restructuring, impairment and other charges, including goodwill impairment charges and other expenses and disposal costs not classified as restructuring expense.
- (7) 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.
- (8) Impacts from the acquisition of Samsung Corning Precision Materials: Fair value adjustments to the indemnity asset related to contingent consideration and other items related to the acquisition of Samsung Corning Precision Materials.
- (9) Post-combination expenses: Post-combination expenses incurred as a result of an acquisition in the first quarter of 2015.
- (10) 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.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended March 31, 2016
(Unaudited; amounts in millions, except percentages and per share amounts)

	Three months ended March 31, 2016					
	Net sales	Equity earnings	(Loss) income before income taxes	Net (loss) income	Effective (benefit) tax rate	Per share
As reported	\$ 2,047	\$ 59	\$ (672)	\$ (368)	(45.2)%	(0.36)
Constant-yen (1)	124	2	110	78		0.07
Constant-won (1)		(1)	(20)	(14)		(0.01)
Foreign currency hedges related to translated earnings (2)			857	540		0.49
Acquisition-related costs (3)			14	10		0.01
Discrete tax items and other tax-related adjustments (4)				22		0.02
Restructuring, impairment and other charges (6)			109	75		0.07
Equity in earnings of affiliated companies (7)		2	2	2		
Impacts from the acquisition of Samsung Corning Precision Materials (8)			(11)	(9)		(0.01)
Pension mark-to-market adjustment (10)			7	4		
Core performance measures	\$ 2,171	\$ 62	\$ 396	\$ 340	14.1%	0.28

See Use 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, 2015
(Unaudited; amounts in millions, except percentages and per share amounts)

	Three months ended March 31, 2015					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate	Per share
As reported	\$ 2,265	\$ 94	\$ 493	\$ 407	17.4%	0.29
Constant-yen (1)	165		134	98		0.07
Foreign currency hedges related to translated earnings (2)			(29)	(18)		(0.01)
Acquisition-related costs (3)			19	13		0.01
Discrete tax items and other tax-related adjustments (4)				11		0.01
Litigation, regulatory and other legal matters (5)			1	1		
Restructuring, impairment and other charges (6)			2	3		
Equity in earnings of affiliated companies (7)		(41)	(41)	(39)		(0.03)
Impacts from the acquisition of Samsung Corning Precision Materials (8)			2	2		
Post-combination expenses (9)			9	6		
Core performance measures	\$ 2,430	\$ 53	\$ 590	\$ 484	18.0%	0.35

See Use 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, 2016 and 2015
(Unaudited; amounts in millions, except percentages)

	Three months ended March 31, 2016				Three months ended March 31, 2015			
	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	\$ 764	37%	\$ 303	\$ 190	\$ 929	41%	\$ 316	\$ 189
Constant-yen (1)	109				137			
Constant-won (1)	(17)		2	1				
Foreign currency hedges related to translated earnings (2)					(4)			
Acquisition-related costs (3)					2		(5)	
Litigation, regulatory and other legal matters (5)							(1)	
Restructuring, impairment and other charges (6)	29				4		2	
Impacts from the acquisition of Samsung Corning Precision Materials (8)			11		1			
Post-combination expenses (9)							(9)	
Pension mark-to-market adjustment (10)			(7)					
Core performance measures	\$ 885	41%	\$ 309	\$ 191	\$ 1,069	44%	\$ 303	\$ 189

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Display Technologies Segment
Three Months Ended March 31, 2016 and 2015
(Unaudited; amounts in millions)

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Net sales	Net income	Net sales	Net income
As reported	\$ 705	\$ 209	\$ 808	\$ 294
Constant-yen (1)	124	81	164	99
Constant-won (1)		(13)		
Foreign currency hedges related to translated earnings (2)		(58)		(99)
Restructuring, impairment and other charges (6)		13		
Impacts from the acquisition of Samsung Corning Precision Materials (8)		(9)		
Core performance measures	\$ 829	\$ 223	\$ 972	\$ 294

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Optical Communications Segment
Three Months Ended March 31, 2016 and 2015
(Unaudited; amounts in millions)

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Net sales	Net income	Net sales	Net income
As reported	\$ 609	\$ 17	\$ 697	\$ 57
Acquisition-related costs (3)		4		10
Restructuring, impairment and other charges (6)		5		(1)
Post-combination expenses (9)				6
Core performance measures	\$ 609	\$ 26	\$ 697	\$ 72

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Environmental Technologies Segment
Three Months Ended March 31, 2016 and 2015
(Unaudited; amounts in millions)

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Net sales	Net income	Net sales	Net income
As reported	\$ 264	\$ 34	\$ 282	\$ 48
Restructuring, impairment and other charges (6)		3		
Core performance measures	\$ 264	\$ 37	\$ 282	\$ 48

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Specialty Materials Segment
Three Months Ended March 31, 2016 and 2015
(Unaudited; amounts in millions)

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Net sales	Net income	Net sales	Net income
As reported	\$ 227	\$ 26	\$ 272	\$ 38
Constant-yen (1)		(1)		(1)
Constant-won (1)		(1)		
Foreign currency hedges related to translated earnings (2)				5
Restructuring, impairment and other charges (6)		8		4
Core performance measures	\$ 227	\$ 32	\$ 272	\$ 46

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Life Sciences Segment
Three Months Ended March 31, 2016 and 2015
(Unaudited; amounts in millions)

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Net sales	Net income	Net sales	Net income
As reported	\$ 204	\$ 12	\$ 197	\$ 16
Acquisition-related costs (3)		3		3
Restructuring, impairment and other charges (6)		3		
Core performance measures	\$ 204	\$ 18	\$ 197	\$ 19

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

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Dow Corning Corporation
Three Months Ended March 31, 2016 and 2015
(Unaudited; amounts in millions)

	Three months ended March 31, 2016	Three months ended March 31, 2015
As reported	\$ 56	\$ 92
Equity in earnings of affiliated companies (7)	2	(41)
Core performance measures	\$ 58	\$ 51

See Use 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, 2016 and 2015
(Unaudited; amounts in millions)

	Three months ended March 31, 2016	Three months ended March 31, 2015
Cash flows from operating activities	\$ (83)	\$ 601
Less: Cash flows from investing activities	(76)	(713)
Plus: Short-term investments – acquisitions	20	284
Less: Short-term investments – liquidations	(121)	(282)
Free cash flow	\$ (260)	\$ (110)

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended March 31, 2016 and 2015
(Unaudited; amounts in millions)

	Three months ended March 31, 2016	Three months ended March 31, 2015
Cash flows from operating activities	\$ (83)	\$ 601
Realized gains on foreign currency hedges related to translated earnings	93	149
Translation gains (losses) on cash balances	100	(292)
Adjusted cash flows from operating activities	\$ 110	\$ 458