

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

(Unaudited; in millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2019	2018
Net sales	\$ 2,812	\$ 2,500
Cost of sales	<u>1,713</u>	<u>1,545</u>
Gross margin	1,099	955
Operating expenses:		
Selling, general and administrative expenses	401	501
Research, development and engineering expenses	249	241
Amortization of purchased intangibles	<u>29</u>	<u>19</u>
Operating income	420	194
Equity in earnings of affiliated companies	25	39
Interest income	7	13
Interest expense	(52)	(52)
Translated earnings contract gain (loss), net	184	(622)
Other expense, net	<u>(9)</u>	<u>(37)</u>
Income (loss) before income taxes	575	(465)
Provision for income taxes	<u>(76)</u>	<u>(124)</u>
Net income (loss) attributable to Corning Incorporated	<u>\$ 499</u>	<u>\$ (589)</u>
Earnings (loss) per common share attributable to Corning Incorporated:		
Basic	<u>\$ 0.61</u>	<u>\$ (0.72)</u>
Diluted	<u>\$ 0.55</u>	<u>\$ (0.72)</u>

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

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

	March 31, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,456	\$ 2,355
Trade accounts receivable, net of doubtful accounts and allowances	1,974	1,940
Inventories, net of inventory reserves	2,190	2,037
Other current assets	729	702
Total current assets	6,349	7,034
Investments	346	376
Property, plant and equipment, net of accumulated depreciation	14,878	14,895
Goodwill, net	1,930	1,936
Other intangible assets, net	1,265	1,292
Deferred income taxes	1,051	951
Other assets	1,502	1,021
<b>Total Assets</b>	<b>\$ 27,321</b>	<b>\$ 27,505</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 7	\$ 4
Accounts payable	1,278	1,456
Other accrued liabilities	1,774	1,851
Total current liabilities	3,059	3,311
Long-term debt	6,018	5,994
Postretirement benefits other than pensions	659	662
Other liabilities	3,879	3,652
Total liabilities	13,615	13,619
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: 1,715 million and 1,713 million	857	857
Additional paid-in capital – common stock	14,243	14,212
Retained earnings	16,489	16,303
Treasury stock, at cost; Shares held: 933 million and 925 million	(19,116)	(18,870)
Accumulated other comprehensive loss	(1,166)	(1,010)
Total Corning Incorporated shareholders' equity	13,607	13,792
Noncontrolling interests	99	94
Total equity	13,706	13,886
<b>Total Liabilities and Equity</b>	<b>\$ 27,321</b>	<b>\$ 27,505</b>

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited; in millions)

	Three Months Ended	
	March 31,	
	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 499	\$ (589)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	306	304
Amortization of purchased intangibles	29	19
Equity in earnings of affiliated companies	(25)	(39)
Deferred tax (benefit) provision	(40)	16
Customer incentives and deposits	2	276
Translated earnings contract (gain) loss	(184)	622
Unrealized translation losses (gains) on transactions	8	(63)
Changes in certain working capital items:		
Trade accounts receivable	(36)	94
Inventories	(159)	(98)
Other current assets	(97)	(92)
Accounts payable and other current liabilities	(299)	(162)
Other, net	(33)	32
<b>Net cash (used in) provided by operating activities</b>	<b>(29)</b>	<b>320</b>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(524)	(655)
Realized gains on translated earnings contracts	20	13
Other, net	21	(2)
<b>Net cash used in investing activities</b>	<b>(483)</b>	<b>(644)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from the exercise of stock options	23	21
Repurchases of common stock for treasury	(257)	(800)
Dividends paid	(181)	(177)
Other, net	22	(3)
<b>Net cash used in financing activities</b>	<b>(393)</b>	<b>(959)</b>
Effect of exchange rates on cash	6	62
Net decrease in cash and cash equivalents	(899)	(1,221)
Cash and cash equivalents at beginning of period	2,355	4,317
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,456</b>	<b>\$ 3,096</b>

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

***GAAP Earnings (Loss) per Common Share***

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

	Three Months Ended March 31,	
	2019	2018
Net income (loss) attributable to Corning Incorporated	\$ 499	\$ (589)
Less: Series A convertible preferred stock dividend	24	24
Net income (loss) available to common stockholders – basic	475	(613)
Add: Series A convertible preferred stock dividend	24	
<b>Net income (loss) available to common stockholders – diluted</b>	<b>\$ 499</b>	<b>\$ (613)</b>
Weighted-average common shares outstanding - basic	784	848
Effect of dilutive securities:		
Stock options and other dilutive securities	9	
Series A convertible preferred stock	115	
<b>Weighted-average common shares outstanding - diluted</b>	<b>908</b>	<b>848</b>
Basic earnings (loss) per common share	\$ 0.61	\$ (0.72)
<b>Diluted earnings (loss) per common share</b>	<b>\$ 0.55</b>	<b>\$ (0.72)</b>

***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,	
	2019	2018
Core earnings attributable to Corning Incorporated	\$ 365	\$ 299
Less: Series A convertible preferred stock dividend	24	24
Core earnings available to common stockholders - basic	341	275
Add: Series A convertible preferred stock dividend	24	24
<b>Core earnings available to common stockholders - diluted</b>	<b>\$ 365</b>	<b>\$ 299</b>
Weighted-average common shares outstanding - basic	784	848
Effect of dilutive securities:		
Stock options and other dilutive securities	9	10
Series A convertible preferred stock	115	115
<b>Weighted-average common shares outstanding - diluted</b>	<b>908</b>	<b>973</b>
Core basic earnings per common share	\$ 0.43	\$ 0.32
<b>Core diluted earnings per common share</b>	<b>\$ 0.40</b>	<b>\$ 0.31</b>

## **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 report 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. Corning utilizes 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. Effective January 1, 2019, Corning also began using constant currency reporting for our Environmental Technologies and Life Sciences segments for the euro, Japanese yen and Chinese yuan. 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.

Core performance 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, euro, South Korean won, Chinese yuan and the 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.

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE**  
**Three Months Ended March 31, 2019**  
(Unaudited; amounts in millions, except per share amounts)

	Three Months Ended March 31, 2019					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	Per share
<b>As reported - GAAP</b>	<b>\$ 2,812</b>	<b>25</b>	<b>575</b>	<b>499</b>	<b>13.2%</b>	<b>\$ 0.55</b>
Constant-currency adjustment (1)	38	1	37	31		0.03
Translation gain on Japanese yen-denominated debt (2)			(15)	(11)		(0.01)
Translated earnings contract gain (3)			(184)	(144)		(0.16)
Acquisition-related costs (4)			37	28		0.03
Discrete tax items and other tax-related adjustments (5)				(43)		(0.05)
Restructuring, impairment and other charges (7)			7	5		0.01
<b>Core performance measures</b>	<b>\$ 2,850</b>	<b>\$ 26</b>	<b>\$ 457</b>	<b>\$ 365</b>	<b>20.1%</b>	<b>\$ 0.40</b>

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

	Three Months Ended March 31, 2018					
	Net sales	Equity earnings	(Loss) income before income taxes	Net (loss) income	Effective tax rate (a)	Per share
<b>As reported - GAAP</b>	<b>\$ 2,500</b>	<b>39</b>	<b>(465)</b>	<b>(589)</b>	<b>26.7%</b>	<b>\$ (0.72)</b>
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)
<b>Core performance measures</b>	<b>\$ 2,513</b>	<b>\$ 25</b>	<b>\$ 382</b>	<b>\$ 299</b>	<b>21.7%</b>	<b>\$ 0.31</b>

(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, 2019 and 2018**  
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2019				Three Months Ended March 31, 2018			
	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	\$ 1,099	39%	\$ 401	\$ 249	\$ 955	38%	\$ 501	\$ 241
Constant-currency adjustment (1)	36		1		33		(1)	
Translated earnings contract gain (3)					(1)			
Acquisition-related costs (4)	4		(4)	(1)				
Litigation, regulatory and other legal matters (6)							(132)	
Restructuring, impairment and other charges (7)					23		(2)	
<b>Core performance measures</b>	<b>\$ 1,139</b>	<b>40%</b>	<b>\$ 398</b>	<b>\$ 248</b>	<b>\$ 1,010</b>	<b>40%</b>	<b>\$ 366</b>	<b>\$ 241</b>

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



**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE**  
**Three Months Ended March 31, 2019 and 2018**  
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows from operating activities	\$ (29)	\$ 320
Realized gains on translated earnings contracts	20	13
Translation (losses) gains on cash balances	(8)	63
Adjusted cash flows from operating activities	\$ (17)	\$ 396

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

- (1) Constant-currency adjustments: Because a significant portion of segment revenues are denominated in currencies other than the US dollar, management believes it is important to understand the impact on core earnings of translating these currencies into U.S. dollars. Our Display Technologies and Specialty Materials segment sales and net income are primarily denominated in Japanese yen, but also impacted by the Korean won, Chinese yuan, and new Taiwan dollar. Beginning January 1, 2019, as our Environmental Technologies and Life Science segments sales and net income are impacted by the euro, Chinese yuan and Japanese yen, these segments will also be presented on a constant currency basis. We have not recast the prior periods for these two segments as the impact of fluctuations in these currencies are not material for prior periods. Presenting results on a constant-currency basis mitigates the translation impact and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and establish operational goals and forecasts. We establish the Constant exchange rate for the yen, won, yuan, Taiwan dollar and euro based on internally derived management estimates which are closely aligned with the currencies we have hedged.

Constant currency rates are as follows:

Currency	Japanese yen	Korean Won	Chinese Yuan	New Taiwan dollar	Euro
Rate	¥107	₩1,175	6.7	31	1.23

- (2) Translation (gain) loss on Japanese yen-denominated debt: We have excluded the gain or loss on the translation of our yen-denominated debt to U.S. dollars.
- (3) Translated earnings contract (gain) loss: We have excluded the impact of the realized and unrealized gains and losses of our Japanese yen, euro, South Korean won and Chinese yuan-denominated foreign currency hedges related to translated earnings, as well as the unrealized gains and losses of our 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: These include discrete period tax items such as changes in tax law, the impact of tax audits, changes in judgement about the realizability of certain deferred tax assets and other non-operational tax-related adjustments.
- (6) Litigation, regulatory and other legal matters: Includes amounts that reflect developments in commercial litigation, intellectual property disputes and other legal matters.
- (7) Restructuring, impairment and other charges: This amount includes restructuring, impairment and other charges, as well as other expenses which are not related to continuing operations and are not classified as restructuring expense.
- (8) Equity in earnings of affiliated companies: These adjustments relate to costs not related to continuing operations of our affiliated companies, such as restructuring, impairment and other charges and settlements under “take-or-pay” contracts.