

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

(Unaudited; in millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2017	2016
Net sales	\$ 2,375	\$ 2,047
Cost of sales	<u>1,418</u>	<u>1,283</u>
Gross margin	957	764
Operating expenses:		
Selling, general and administrative expenses	316	303
Research, development and engineering expenses	200	190
Amortization of purchased intangibles	17	14
Restructuring, impairment and other charges	<u>          </u>	<u>80</u>
Operating income	424	177
Equity in earnings of affiliated companies	80	59
Interest income	12	6
Interest expense	(37)	(41)
Translated earnings contract loss, net	(438)	(857)
Other expense, net	<u>(21)</u>	<u>(16)</u>
Income (loss) before income taxes	20	(672)
Benefit for income taxes	<u>66</u>	<u>304</u>
Net income (loss) attributable to Corning Incorporated	<u>\$ 86</u>	<u>\$ (368)</u>
Earnings (loss) per common share attributable to Corning Incorporated:		
Basic	<u>\$ 0.07</u>	<u>\$ (0.36)</u>
Diluted	<u>\$ 0.07</u>	<u>\$ (0.36)</u>
Dividends declared per common share	<u>\$ 0.155</u>	<u>\$ 0.135</u>

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

(Unaudited; in millions, except per share amounts)

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,844	\$ 5,291
Short-term investments, at fair value	28	
Trade accounts receivable, net of doubtful accounts and allowances - \$56 and \$59	1,583	1,481
Inventories, net of inventory reserves - \$148 and \$151	1,544	1,471
Other current assets	719	805
Total current assets	<u>8,718</u>	<u>9,048</u>
Investments	337	336
Property, plant and equipment, net of accumulated depreciation - \$10,304 and \$9,884	12,969	12,546
Goodwill, net	1,619	1,577
Other intangible assets, net	825	796
Deferred income taxes	2,705	2,325
Other assets	1,132	1,271
<b>Total Assets</b>	<u>\$ 28,305</u>	<u>\$ 27,899</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 257	\$ 256
Accounts payable	1,015	1,079
Other accrued liabilities	1,149	1,416
Total current liabilities	<u>2,421</u>	<u>2,751</u>
Long-term debt	3,669	3,646
Postretirement benefits other than pensions	735	737
Other liabilities	3,101	2,805
Total liabilities	<u>9,926</u>	<u>9,939</u>
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: 1,700 million and 1,691 million	850	846
Additional paid-in capital – common stock	13,888	13,695
Retained earnings	17,030	16,880
Treasury stock, at cost; Shares held: 780 million and 765 million	(14,564)	(14,152)
Accumulated other comprehensive loss	(1,196)	(1,676)
Total Corning Incorporated shareholders' equity	<u>18,308</u>	<u>17,893</u>
Noncontrolling interests	71	67
Total equity	<u>18,379</u>	<u>17,960</u>
<b>Total Liabilities and Equity</b>	<u>\$ 28,305</u>	<u>\$ 27,899</u>

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

(Unaudited; in millions)

	Three Months Ended	
	March 31,	
	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 86	\$ (368)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	260	281
Amortization of purchased intangibles	17	14
Restructuring, impairment and other charges		80
Stock compensation charges	14	9
Equity in earnings of affiliated companies	(80)	(59)
Dividends received from affiliated companies	34	
Deferred tax benefit	(121)	(345)
Employee benefit payments less than expense	9	7
Translated earnings contract loss	438	857
Unrealized translation gains on transactions	(67)	(123)
Changes in certain working capital items:		
Trade accounts receivable	(54)	21
Inventories	(49)	(42)
Other current assets	(60)	(76)
Accounts payable and other current liabilities	(230)	(293)
Other, net	(6)	(43)
<b>Net cash provided by (used in) operating activities</b>	<u>191</u>	<u>(80)</u>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(364)	(270)
Acquisition of business, net of cash received	(35)	
Investment in unconsolidated entities	(4)	
Payments of loans to unconsolidated entities	(5)	
Short-term investments – acquisitions		(20)
Short-term investments – liquidations		121
Realized gains on translated earnings contracts	80	93
Other, net	2	
<b>Net cash used in investing activities</b>	<u>(326)</u>	<u>(76)</u>
<b>Cash Flows from Financing Activities:</b>		
Net repayments of short-term borrowings and current portion of long-term debt		(64)
Principal payments under capital lease obligations		(1)
Payments of employee withholding tax on stock awards	(2)	(3)
Proceeds from issuance of commercial paper		19
Proceeds from the exercise of stock options	182	9
Repurchases of common stock for treasury	(400)	(703)
Dividends paid	(168)	(173)
<b>Net cash used in financing activities</b>	<u>(388)</u>	<u>(916)</u>
Effect of exchange rates on cash	76	112
Net decrease in cash and cash equivalents	(447)	(960)
Cash and cash equivalents at beginning of period	5,291	4,500
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,844</u>	<u>\$ 3,540</u>

**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,	
	2017	2016
Net income (loss) attributable to Corning Incorporated	\$ 86	\$ (368)
Less: Series A convertible preferred stock dividend	24	24
Net income (loss) available to common stockholders – basic	62	(392)
<b>Net income (loss) available to common stockholders - diluted</b>	<b>\$ 62</b>	<b>\$ (392)</b>
Weighted-average common shares outstanding - basic	925	1,103
Effect of dilutive securities:		
Stock options and other dilutive securities	11	
<b>Weighted-average common shares outstanding - diluted</b>	<b>936</b>	<b>1,103</b>
Basic earnings (loss) per common share	\$ 0.07	\$ (0.36)
<b>Diluted earnings (loss) per common share</b>	<b>\$ 0.07</b>	<b>\$ (0.36)</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,	
	2017	2016
Core earnings attributable to Corning Incorporated	\$ 407	\$ 340
Less: Series A convertible preferred stock dividend	24	24
Core earnings available to common stockholders - basic	383	316
Add: Series A convertible preferred stock dividend	24	24
<b>Core earnings available to common stockholders - diluted</b>	<b>\$ 407</b>	<b>\$ 340</b>
Weighted-average common shares outstanding - basic	925	1,103
Effect of dilutive securities:		
Stock options and other dilutive securities	11	8
Series A convertible preferred stock	115	115
<b>Weighted-average common shares outstanding - diluted</b>	<b>1,051</b>	<b>1,226</b>
Core basic earnings per common share	\$ 0.41	\$ 0.29
<b>Core diluted earnings per common share</b>	<b>\$ 0.39</b>	<b>\$ 0.28</b>

## CORE PERFORMANCE MEASURES

In managing the Company and assessing our financial performance, we supplement certain measures provided by our consolidated financial statements with measures adjusted to exclude certain items, to arrive at core performance measures. We believe reporting core performance measures provides investors greater transparency to the information used by our management team to make financial and operational decisions. 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. Management's discussion and analysis on our reportable segments has also been adjusted for these items, as appropriate. 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. Corning does not forecast the movement of the Japanese yen and South Korean won against the U.S. dollar, or other items that do not reflect ongoing operations. As a result, the company is unable to provide forward-looking information on a GAAP basis.

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: Because a significant portion of Corning Precision Materials' costs are denominated in Korean won, management believes it is important to understand the impact on core earnings from translating won into dollars. Presenting results on a constant-won basis mitigates the translation impact of the Korean won, and allows management to evaluate performance period over period, analyze underlying trends in our businesses, and establish operational goals and forecasts without the variability caused by the fluctuations caused by changes in the rate of this currency. We use an internally derived management rate of ₩1,100, which is consistent with historical prior period averages of the won.
- (2) Translated earnings contract loss: 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 changes in judgment about the realizability of certain deferred tax assets, as well as other non-operational tax-related adjustments.
- (5) Litigation, regulatory and other legal matters: Includes amounts related to 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: Pre-acquisition gains and losses on previously held equity investment and other gains and losses related to the acquisition, including post-combination expenses, fair value adjustments to the indemnity asset related to contingent consideration and the impact of the withholding tax on a dividend from Samsung Corning Precision Materials.
- (9) Pension mark-to-market adjustment: Defined benefit pension mark-to-market 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, 2017**

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

	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax (benefit) rate (a)	Per share
As reported	\$ 2,375	\$ 80	\$ 20	\$ 86	(330%)	\$ 0.07
Constant-yen (1)	109		99	75		0.07
Constant-won (1)	1		(9)	(7)		(0.01)
Translated earnings contract loss (2)			442	278		0.26
Acquisition-related costs (3)			22	15		0.01
Discrete tax items and other tax-related adjustments (4)				9		0.01
Litigation, regulatory and other legal matters (5)			(12)	(9)		(0.01)
Restructuring, impairment and other charges (6)			10	8		0.01
Equity in earnings of affiliated company (7)		(72)	(72)	(46)		(0.04)
Impacts from the acquisition of Samsung Corning Precision Materials (8)			(3)	(2)		
<b>Core performance measures</b>	<b>\$ 2,485</b>	<b>\$ 8</b>	<b>\$ 497</b>	<b>\$ 407</b>	<b>18.1%</b>	<b>\$ 0.39</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, 2016**  
(Unaudited; amounts in millions, except per share amounts)

	Net sales	Equity earnings	(Loss) income before income taxes	Net (loss) income	Effective tax (benefit) rate (a)	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)
Translated earnings contract loss (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 company (7)		2	2	2		
Impacts from the Acquisition of Samsung Corning Precision Materials (8)			(11)	(9)		(0.01)
Pension mark-to-market adjustment (9)			7	4		
<b>Core performance measures</b>	<b>\$ 2,171</b>	<b>\$ 62</b>	<b>\$ 396</b>	<b>\$ 340</b>	<b>14.1%</b>	<b>\$ 0.28</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, 2017 and 2016**  
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2017				Three Months Ended March 31, 2016									
	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	\$	<b>957</b>	<b>40%</b>	\$	<b>316</b>	\$	<b>200</b>	\$	<b>764</b>	<b>37%</b>	\$	<b>303</b>	\$	<b>190</b>
Constant-yen (1)		98							109					
Constant-won (1)		(9)							(17)			2		1
Acquisition-related costs (3)		4												
Litigation, regulatory and other legal matters (5)				12										
Restructuring, impairment and other charges (6)									29					
Impacts from the Acquisition of Samsung Corning Precision Materials (8)				4								11		
Pension mark-to-market adjustment (9)												(7)		
<b>Core performance measures</b>	\$	<b>1,050</b>	<b>42%</b>	\$	<b>332</b>	\$	<b>200</b>	\$	<b>885</b>	<b>41%</b>	\$	<b>309</b>	\$	<b>191</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**  
**Display Technologies Segment**  
**Three Months Ended March 31, 2017 and 2016**  
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Net sales	Net income	Net sales	Net income
As reported	\$ 736	\$ 249	\$ 705	\$ 209
Constant-yen (1)	109	72	124	81
Constant-won (1)	1	(6)		(13)
Translated earnings contract gain (2)		(48)		(58)
Litigation, regulatory and other legal matters (5)		(9)		
Restructuring, impairment and other charges (6)				13
Impacts from the acquisition of Samsung Corning Precision Materials (8)		(2)		(9)
Core performance measures	\$ 846	\$ 256	\$ 829	\$ 223

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**  
**Optical Communications Segment**  
**Three Months Ended March 31, 2017 and 2016**  
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Net sales	Net income	Net sales	Net income
As reported	\$ 818	\$ 82	\$ 609	\$ 17
Acquisition-related costs (3)		9		4
Restructuring, impairment and other charges (6)		2		5
Core performance measures	\$ 818	\$ 93	\$ 609	\$ 26

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**  
**Environmental Technologies Segment**  
**Three Months Ended March 31, 2017 and 2016**  
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Net sales	Net income	Net sales	Net income
As reported	\$ 275	\$ 31	\$ 264	\$ 34
Restructuring, impairment and other charges (6)		6		3
<b>Core performance measures</b>	<b>\$ 275</b>	<b>\$ 37</b>	<b>\$ 264</b>	<b>\$ 37</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**  
**Specialty Materials Segment**  
**Three Months Ended March 31, 2017 and 2016**  
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Net sales	Net income	Net sales	Net income
As reported	\$ 300	\$ 48	\$ 227	\$ 26
Constant-yen (1)				(1)
Constant-won (1)				(1)
Restructuring, impairment and other charges (6)				8
Core performance measures	\$ 300	\$ 48	\$ 227	\$ 32

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**  
**Life Sciences Segment**  
**Three Months Ended March 31, 2017 and 2016**  
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Net sales	Net income	Net sales	Net income
As reported	\$ 210	\$ 17	\$ 204	\$ 12
Acquisition-related costs (3)		3		3
Restructuring, impairment and other charges (6)				3
Core performance measures	\$ 210	\$ 20	\$ 204	\$ 18

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, 2017 and 2016**  
(Unaudited; amounts in millions)

	Three Months Ended March 31, 2017			Three Months Ended March 31, 2016		
	Hemlock Semiconductor	Other	Total equity earnings	Dow Corning	Other	Total equity earnings
As reported	\$ 79	\$ 1	\$ 80	\$ 56	\$ 3	\$ 59
Constant-yen (1)					2	2
Constant-won (1)					(1)	(1)
Equity in earnings of affiliated companies (7)	(72)		(72)	2		2
<b>Core Performance Measures</b>	\$ 7	\$ 1	\$ 8	\$ 58	\$ 4	\$ 62

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)

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