

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net sales	\$ 2,507	\$ 2,272	\$ 6,914	\$ 6,880
Cost of sales	1,466	1,380	4,158	4,084
Gross margin	1,041	892	2,756	2,796
Operating expenses:				
Selling, general and administrative expenses	302	307	1,104	960
Research, development and engineering expenses	187	181	569	561
Amortization of purchased intangibles	17	12	46	40
Restructuring, impairment and other charges			78	
Operating income	535	392	959	1,235
Equity in earnings of affiliated companies	19	39	119	195
Interest income	9	6	21	16
Interest expense	(41)	(38)	(122)	(101)
Translated earnings contract (loss) gain, net	(237)	(149)	(2,295)	42
Gain on realignment of equity investment			2,676	
Other expense, net	(28)	(32)	(70)	(70)
Income before income taxes	257	218	1,288	1,317
Benefit (provision) for income taxes	27	(6)	835	(202)
Net income attributable to Corning Incorporated	\$ 284	\$ 212	\$ 2,123	\$ 1,115
Earnings per common share attributable to Corning Incorporated:				
Basic	\$ 0.27	\$ 0.16	\$ 1.96	\$ 0.84
Diluted	\$ 0.26	\$ 0.15	\$ 1.81	\$ 0.82
Dividends declared per common share (1)	\$ 0.135	\$ 0.12	\$ 0.405	\$ 0.24

(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 September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income attributable to Corning Incorporated	\$ 284	\$ 212	\$ 2,123	\$ 1,115
Foreign currency translation adjustments and other	245	(181)	869	(477)
Net unrealized (losses) gains on investments			(3)	1
Unamortized (losses) gains and prior service credits (costs) for postretirement benefit plans	(5)	6	260	12
Net unrealized gains (losses) on designated hedges	11	(37)	(30)	(32)
Other comprehensive income (loss), net of tax	<u>251</u>	<u>(212)</u>	<u>1,096</u>	<u>(496)</u>
Comprehensive income attributable to Corning Incorporated	<u>\$ 535</u>	<u>\$ 0</u>	<u>\$ 3,219</u>	<u>\$ 619</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

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

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,821	\$ 4,500
Short-term investments, at fair value		100
Trade accounts receivable, net of doubtful accounts and allowances	1,645	1,372
Inventories, net of inventory reserves	1,516	1,385
Other current assets	497	912
Total current assets	8,479	8,269
Investments	352	1,975
Property, plant and equipment, net of accumulated depreciation	13,293	12,648
Goodwill, net	1,569	1,380
Other intangible assets, net	797	706
Deferred income taxes	3,110	2,056
Other assets	1,209	1,493
	\$ 28,809	\$ 28,527
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 7	\$ 572
Accounts payable	933	934
Other accrued liabilities	1,354	1,308
Total current liabilities	2,294	2,814
Long-term debt	3,916	3,890
Postretirement benefits other than pensions	708	718
Other liabilities	4,104	2,242
Total liabilities	11,022	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: 1,689 million and 1,681 million	844	840
Additional paid-in capital – common stock	13,340	13,352
Retained earnings	15,460	13,832
Treasury stock, at cost; Shares held: 738 million and 551 million	(13,508)	(9,725)
Accumulated other comprehensive loss	(715)	(1,811)
Total Corning Incorporated shareholders' equity	17,721	18,788
Noncontrolling interests	66	75
Total equity	17,787	18,863
Total Liabilities and Equity	\$ 28,809	\$ 28,527

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Cash Flows from Operating Activities:				
Net income	\$ 284	\$ 212	\$ 2,123	\$ 1,115
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	283	280	844	842
Amortization of purchased intangibles	17	12	46	40
Restructuring, impairment and other charges			78	
Stock compensation charges	10	11	33	36
Equity in earnings of affiliated companies	(19)	(39)	(119)	(195)
Dividends received from affiliated companies		48	20	143
Deferred tax (benefit) provision	(149)	156	(1,047)	187
Restructuring payments	(3)	(15)	(10)	(38)
Employee benefit payments (in excess of) less than expense	(15)	13		5
Losses (gains) on foreign currency hedges related to translated earnings	237	149	2,295	(42)
Unrealized translation (gains) losses on transactions	(53)	67	(177)	303
Contingent consideration fair value adjustment	(49)	13	(40)	
Gain on realignment of equity investment			(2,676)	
Changes in certain working capital items:				
Trade accounts receivable	(81)	77	(184)	52
Inventories	(3)	(6)	(69)	(60)
Other current assets	29	(104)	(42)	(204)
Accounts payable and other current liabilities	129	(103)	14	(294)
Other, net	35	(74)	6	(45)
Net cash provided by operating activities	<u>652</u>	<u>697</u>	<u>1,095</u>	<u>1,845</u>
Cash Flows from Investing Activities:				
Capital expenditures	(282)	(298)	(815)	(939)
Acquisitions of business, net of cash acquired			(279)	(531)
Investment in unconsolidated entities			(14)	(33)
Cash received on realignment of equity investment			4,818	
(Payments) proceeds from loan repayments from unconsolidated entities	(7)		(10)	6
Short-term investments – acquisitions		(289)	(20)	(859)
Short-term investments – liquidations		221	121	1,046
Realized gains on foreign currency hedges related to translated earnings	2	168	146	489
Other, net	5	(1)	9	(1)
Net cash (used in) provided by investing activities	<u>(282)</u>	<u>(199)</u>	<u>3,956</u>	<u>(822)</u>
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(21)		(85)	
Principal payments under capital lease obligations			(1)	(1)
Proceeds from issuance of short-term debt				2
Proceeds from issuance of long-term debt				745
Payments from issuance of commercial paper	(251)		(481)	
Payments from settlement of interest rate swap agreements				(10)
Proceeds from the exercise of stock options	59	1	86	99
Repurchases of common stock for treasury	(2,369)	(812)	(3,884)	(1,905)
Dividends paid	(153)	(169)	(493)	(519)
Net cash used in financing activities	<u>(2,735)</u>	<u>(980)</u>	<u>(4,858)</u>	<u>(1,589)</u>
Effect of exchange rates on cash	42	(46)	128	(303)
Net (decrease) increase in cash and cash equivalents	(2,323)	(528)	321	(869)
Cash and cash equivalents at beginning of period	7,144	4,968	4,500	5,309
Cash and cash equivalents at end of period	<u>\$ 4,821</u>	<u>\$ 4,440</u>	<u>\$ 4,821</u>	<u>\$ 4,440</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
(Unaudited)

GAAP Earnings per Common Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income attributable to Corning Incorporated	\$ 284	\$ 212	\$ 2,123	\$ 1,115
Less: Series A convertible preferred stock dividend	24	24	73	73
Net income available to common stockholders – basic	260	188	2,050	1,042
Add: Series A convertible preferred stock dividend	24		73	73
Net income available to common stockholders - diluted	\$ 284	\$ 188	\$ 2,123	\$ 1,115
Weighted-average common shares outstanding - basic	978	1,210	1,046	1,241
Effect of dilutive securities:				
Stock options and other dilutive securities	9	8	9	10
Series A convertible preferred stock	115		115	115
Weighted-average common shares outstanding - diluted	1,102	1,218	1,170	1,366
Basic earnings per common share	\$ 0.27	\$ 0.16	\$ 1.96	\$ 0.84
Diluted earnings per common share	\$ 0.26	\$ 0.15	\$ 1.81	\$ 0.82

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 September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Core earnings attributable to Corning Incorporated	\$ 466	\$ 447	\$ 1,240	\$ 1,453
Less: Series A convertible preferred stock dividend	24	24	73	73
Core earnings available to common stockholders - basic	442	423	1,167	1,380
Add: Series A convertible preferred stock dividend	24	24	73	73
Core earnings available to common stockholders - diluted	\$ 466	\$ 447	\$ 1,240	\$ 1,453
Weighted-average common shares outstanding - basic	978	1,210	1,046	1,241
Effect of dilutive securities:				
Stock options and other dilutive securities	9	8	9	10
Series A convertible preferred stock	115	115	115	115
Weighted-average common shares outstanding - diluted	1,102	1,333	1,170	1,366
Core basic earnings per common share	\$ 0.45	\$ 0.35	\$ 1.12	\$ 1.11
Core diluted earnings per common share	\$ 0.42	\$ 0.34	\$ 1.06	\$ 1.06

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. 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 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) 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.
- (10) Taiwan power outage: Impact of the power outage that temporarily halted production at our Tainan, Taiwan manufacturing location in the third quarter of 2016. The impact in the third quarter includes asset write-offs and charges for facility repairs, offset somewhat by partial reimbursement through our insurance program. We expect to receive the remainder of the insurance reimbursement in the fourth quarter of 2016.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended September 30, 2016
(Unaudited; amounts in millions, except percentages and per share amounts)

	Three months ended September 30, 2016					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate	Per share
As reported - GAAP	\$ 2,507	\$ 19	\$ 257	\$ 284	(10.5)%	0.26
Constant-yen (1)	40		47	30		0.03
Constant-won (1)	1		(4)	(3)		
Foreign currency hedges related to translated earnings (2)			237	149		0.14
Acquisition-related costs (3)			15	11		0.01
Discrete tax items and other tax-related adjustments (4)				6		0.01
Restructuring, impairment and other charges (6)			11	9		0.01
Impacts from the acquisition of Samsung Corning Precision Materials (8)			(49)	(41)		(0.04)
Pension mark-to-market (9)			26	17		0.02
Taiwan power outage (10)			5	4		
Core performance measures	\$ 2,548	\$ 19	\$ 545	\$ 466	14.5%	0.42

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 September 30, 2015
(Unaudited; amounts in millions, except percentages and per share amounts)

	Three months ended September 30, 2015					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate	Per share
As reported - GAAP	\$ 2,272	\$ 39	\$ 218	\$ 212	2.8%	0.15
Constant-yen (1)	178	2	144	111		0.08
Constant-won (1)	1	(1)	(14)	(10)		(0.01)
Foreign currency hedges related to translated earnings (2)			149	94		0.07
Acquisition-related costs (3)			9	5		
Discrete tax items and other tax-related adjustments (4)				14		0.01
Litigation, regulatory and other legal matters (5)			(9)	(6)		
Restructuring, impairment and other charges (6)			1	1		
Equity in earnings of affiliated companies (7)		18	18	16		0.01
Impacts from the acquisition of Samsung Corning Precision Materials (8)			13	10		0.01
Core performance measures	\$ 2,451	\$ 58	\$ 529	\$ 447	15.5%	0.34

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 September 30, 2016 and 2015
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2016				Three months ended September 30, 2015			
	Net sales	Gross Margin	Gross margin %	Selling, general and admin. expenses	Net sales	Gross Margin	Gross margin %	Selling, general and admin. expenses
As reported	\$2,507	\$1,041	42%	\$302	\$2,272	\$ 892	39%	\$307
Constant-yen (1)	40	46			178	143		(1)
Constant-won (1)	1	(3)			1	(9)		(1)
Acquisition-related costs (3)		2		7				4
Restructuring, impairment and other charges (6)		8		(4)				
Impacts from the acquisition of Samsung Corning Precision Materials (8)				49				
Pension mark-to-market (9)				(26)				
Taiwan power outage (10)		5						
Core performance measures	\$2,548	\$1,099	43%	\$328	\$2,451	\$1,026	42%	\$309

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 September 30, 2016 and 2015
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2016		Three months ended September 30, 2015	
	Net sales	Net income	Net sales	Net income
As reported	\$ 902	\$ 279	\$ 757	\$ 255
Constant-yen (1)	40	35	178	107
Constant-won (1)	1	(3)	1	(9)
Foreign currency hedges related to translated earnings (2)		(2)		(106)
Impacts from the acquisition of Samsung Corning Precision Materials (8)		(41)		10
Taiwan power outage (10)		2		
Core performance measures	\$ 943	\$ 270	\$ 936	\$ 257

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 September 30, 2016 and 2015
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2016		Three months ended September 30, 2015	
	Net sales	Net income	Net sales	Net income
As reported	\$ 795	\$ 78	\$ 747	\$ 70
Acquisition-related costs (3)		3		1
Discrete tax items and other tax-related adjustments (4)		6		
Restructuring, impairment and other charges (6)		7		
Pension mark to market (9)		4		
Core performance measures	\$ 795	\$ 98	\$ 747	\$ 71

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 September 30, 2016 and 2015
(Unaudited; amounts in millions, except percentages)

	<u>Three months ended September 30, 2016</u>		<u>Three months ended September 30, 2015</u>	
	Net sales	Net income	Net sales	Net income
As reported and Core performance measures	\$ 264	\$ 35	\$ 257	\$ 38

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Specialty Materials Segment
Three Months Ended September 30, 2016 and 2015
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2016		Three months ended September 30, 2015	
	Net sales	Net income	Net sales	Net income
As reported	\$ 295	\$ 42	\$ 288	\$ 46
Constant-yen (1)				(2)
Constant-won (1)				(1)
Restructuring, impairment and other charges (6)				1
Taiwan power outage (10)		2		
Core performance measures	\$ 295	\$ 44	\$ 288	\$ 44

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 September 30, 2016 and 2015
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2016		Three months ended September 30, 2015	
	Net sales	Net income	Net sales	Net income
As reported	\$ 214	\$ 16	\$ 211	\$ 18
Acquisition-related costs (3)		3		3
Restructuring, impairment and other charges (6)		2		
Core performance measures	\$ 214	\$ 21	\$ 211	\$ 21

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
Equity in Earnings of Affiliated Companies
Three Months Ended September 30, 2016 and 2015
(Unaudited; amounts in millions, except percentages)

	Three months ended September 30, 2016			Three months ended September 30, 2015		
	Hemlock Semiconductor	Other	Total equity earnings	Dow Corning	Other	Total equity earnings
As reported	\$ 22	\$ (3)	\$ 19	\$ 36	\$ 3	\$ 39
Constant-yen (1)					2	2
Constant-won (1)					(1)	(1)
Equity in earnings of affiliated companies (7)				17	1	18
Core Performance Measures	\$ 22	\$ (3)	\$ 19	\$ 53	\$ 5	\$ 58

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 September 30, 2016 and 2015
(Unaudited; amounts in millions)

	Three months ended September 30, 2016	Three months ended September 30, 2015
Cash flows from operating activities	\$ 652	\$ 697
Realized gains on foreign currency hedges related to translated earnings	2	168
Translation (losses) gains on cash balances	67	(69)
Adjusted cash flows from operating activities	\$ 721	\$ 796