

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net sales	\$ 3,008	\$ 2,607	\$ 8,255	\$ 7,479
Cost of sales	<u>1,776</u>	<u>1,557</u>	<u>4,996</u>	<u>4,491</u>
Gross margin	1,232	1,050	3,259	2,988
Operating expenses:				
Selling, general and administrative expenses	439	375	1,352	1,072
Research, development and engineering expenses	244	215	728	623
Amortization of purchased intangibles	<u>27</u>	<u>18</u>	<u>68</u>	<u>53</u>
Operating income	522	442	1,111	1,240
Equity in earnings of affiliated companies	32	31	102	148
Interest income	7	10	29	33
Interest expense	(45)	(37)	(140)	(112)
Translated earnings contract gain (loss), net	230	26	66	(193)
Other income (expense), net	<u>12</u>	<u>7</u>	<u>(11)</u>	<u>(25)</u>
Income before income taxes	758	479	1,157	1,091
Provision for income taxes	<u>(133)</u>	<u>(89)</u>	<u>(383)</u>	<u>(176)</u>
Net income attributable to Corning Incorporated	<u>\$ 625</u>	<u>\$ 390</u>	<u>\$ 774</u>	<u>\$ 915</u>
Earnings per common share attributable to Corning Incorporated:				
Basic	<u>\$ 0.75</u>	<u>\$ 0.41</u>	<u>\$ 0.85</u>	<u>\$ 0.93</u>
Diluted	<u>\$ 0.67</u>	<u>\$ 0.39</u>	<u>\$ 0.82</u>	<u>\$ 0.89</u>
Dividends declared per common share	<u>\$ 0.18</u>	<u>\$ 0.155</u>	<u>\$ 0.54</u>	<u>\$ 0.465</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,903	\$ 4,317
Trade accounts receivable, net of doubtful accounts and allowances	1,973	1,807
Inventories, net of inventory reserves	1,921	1,712
Other current assets	835	991
Total current assets	6,632	8,827
Investments	322	340
Property, plant and equipment, net of accumulated depreciation	14,345	14,017
Goodwill, net	1,930	1,694
Other intangible assets, net	1,309	869
Deferred income taxes	831	813
Other assets	1,023	934
Total Assets	\$ 26,392	\$ 27,494
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 252	\$ 379
Accounts payable	1,092	1,439
Other accrued liabilities	1,768	1,391
Total current liabilities	3,112	3,209
Long-term debt	5,056	4,749
Postretirement benefits other than pensions	701	749
Other liabilities	3,545	3,017
Total liabilities	12,414	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: 1.7 billion and 1.7 billion	856	854
Additional paid-in capital – common stock	14,201	14,089
Retained earnings	16,186	15,930
Treasury stock, at cost; Shares held: 914 million and 850 million	(18,517)	(16,633)
Accumulated other comprehensive loss	(1,136)	(842)
Total Corning Incorporated shareholders' equity	13,890	15,698
Noncontrolling interests	88	72
Total equity	13,978	15,770
Total Liabilities and Equity	\$ 26,392	\$ 27,494

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Cash Flows from Operating Activities:				
Net income	\$ 625	\$ 390	\$ 774	\$ 915
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	291	276	895	799
Amortization of purchased intangibles	27	18	68	53
Equity in earnings of affiliated companies	(32)	(31)	(102)	(148)
Dividends received from affiliated companies	101	34	106	101
Deferred tax provision (benefit)	7	14	53	(62)
Customer incentives and deposits	107		691	
Translated earnings contract (gain) loss	(230)	(26)	(66)	193
Unrealized translation loss (gain) on transactions	14	(70)	52	(264)
Changes in certain working capital items:				
Trade accounts receivable	(156)	(92)	(197)	(190)
Inventories	(42)	(56)	(235)	(166)
Other current assets	(6)	(9)	(36)	(109)
Accounts payable and other current liabilities	240	194	94	(123)
Other, net	(3)	3	(119)	117
Net cash provided by operating activities	<u>943</u>	<u>645</u>	<u>1,978</u>	<u>1,116</u>
Cash Flows from Investing Activities:				
Capital expenditures	(452)	(486)	(1,629)	(1,247)
Purchase of equipment for related party	(63)		(63)	
Acquisition of businesses, net of cash received	(10)	(133)	(804)	(171)
Proceeds from settlement of initial contingent consideration asset			196	
Realized gains on translated earnings contracts	26	50	62	199
Other, net	(12)	(15)	(28)	1
Net cash used in investing activities	<u>(511)</u>	<u>(584)</u>	<u>(2,266)</u>	<u>(1,218)</u>
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt			(375)	
Proceeds from issuance of long-term debt, net		702	596	702
Principal payments under capital lease obligations	(1)		(2)	(1)
Payments of employee withholding tax on stock awards	(2)	(3)	(12)	(14)
Proceeds from the exercise of stock options	31	23	74	275
Repurchases of common stock for treasury	(397)	(1,019)	(1,880)	(2,064)
Dividends paid	(169)	(160)	(517)	(493)
Net cash used in financing activities	<u>(538)</u>	<u>(457)</u>	<u>(2,116)</u>	<u>(1,595)</u>
Effect of exchange rates on cash	(14)	72	(10)	271
Net decrease in cash and cash equivalents	(120)	(324)	(2,414)	(1,426)
Cash and cash equivalents at beginning of period	2,023	4,189	4,317	5,291
Cash and cash equivalents at end of period	<u>\$ 1,903</u>	<u>\$ 3,865</u>	<u>\$ 1,903</u>	<u>\$ 3,865</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
(Unaudited)

GAAP Earnings per Common Share

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income attributable to Corning Incorporated	\$ 625	\$ 390	\$ 774	\$ 915
Less: Series A convertible preferred stock dividend	24	24	73	73
Net income available to common stockholders – basic	601	366	701	842
Add: Series A convertible preferred stock dividend	24	24	73	73
Net income available to common stockholders – diluted	\$ 625	\$ 390	\$ 774	\$ 915
Weighted-average common shares outstanding - basic	805	883	824	905
Effect of dilutive securities:				
Stock options and other dilutive securities	10	11	9	11
Series A convertible preferred stock	115	115	115	115
Weighted-average common shares outstanding - diluted	930	1,009	948	1,031
Basic earnings per common share	\$ 0.75	\$ 0.41	\$ 0.85	\$ 0.93
Diluted earnings per common share	\$ 0.67	\$ 0.39	\$ 0.82	\$ 0.89

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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Core earnings attributable to Corning Incorporated	\$ 476	\$ 403	\$ 1,134	\$ 1,179
Less: Series A convertible preferred stock dividend	24	24	73	73
Core earnings available to common stockholders - basic	452	379	1,061	1,106
Add: Series A convertible preferred stock dividend	24	24	73	73
Core earnings available to common stockholders - diluted	\$ 476	\$ 403	\$ 1,134	\$ 1,179
Weighted-average common shares outstanding - basic	805	883	824	905
Effect of dilutive securities:				
Stock options and other dilutive securities	10	11	9	11
Series A convertible preferred stock	115	115	115	115
Weighted-average common shares outstanding - diluted	930	1,009	948	1,031
Core basic earnings per common share	\$ 0.56	\$ 0.43	\$ 1.29	\$ 1.22
Core diluted earnings per common share	\$ 0.51	\$ 0.40	\$ 1.20	\$ 1.14

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
CORE PERFORMANCE MEASURES

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

	Three months ended		
	September 30, 2018	June 30, 2018	September 30, 2017
Core net sales	\$ 3,045	\$ 2,759	\$ 2,635
Core gross margin	\$ 1,280	\$ 1,123	\$ 1,087
<i>Gross margin %</i>	<i>42%</i>	<i>41%</i>	<i>41%</i>
Core selling, general and administrative expenses	\$ 420	\$ 391	\$ 375
<i>% of Core net sales</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>
Core research, development and engineering expenses	\$ 243	\$ 242	\$ 215
<i>% of Core net sales</i>	<i>8%</i>	<i>9%</i>	<i>8%</i>
Core gross equity earnings	\$ 32	\$ 32	\$ 32
Core income before income taxes	\$ 595	\$ 460	\$ 492
Core earnings	\$ 476	\$ 359	\$ 403
Core earnings per share	\$ 0.51	\$ 0.38	\$ 0.40
Weighted-average shares outstanding	930	943	1,009

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 September 30, 2018
(Unaudited; amounts in millions, except per share amounts)

	Three Months Ended September 30, 2018					
	Net sales	Equity earnings	Income before taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 3,008	\$ 32	\$ 758	\$ 625	17.5%	\$ 0.67
Constant-currency adjustment (1)	37		42	46		0.05
Translation gain on Japanese yen-denominated debt (2)			(30)	(23)		(0.02)
Translated earnings contract gain (3)			(232)	(171)		(0.18)
Acquisition-related costs (4)			37	29		0.03
Discrete tax items and other tax-related adjustments (5)				(40)		(0.04)
Litigation, regulatory and other legal matters (6)			11	8		0.01
Restructuring, impairment and other charges (7)			9	2		
Core performance measures	\$ 3,045	\$ 32	\$ 595	\$ 476	20.0%	\$ 0.51

(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 September 30, 2017
(Unaudited; amounts in millions, except per share amounts)

	Three Months Ended September 30, 2017					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 2,607	\$ 31	\$ 479	\$ 390	18.6%	\$ 0.39
Constant-currency adjustment (1)	28	1	34	28		0.03
Translation gain on Japanese yen-denominated debt (2)			(14)	(9)		(0.01)
Translated earnings contract gain (3)			(28)	(18)		(0.02)
Acquisition-related costs (4)			21	14		0.01
Discrete tax items and other tax-related adjustments (5)				(2)		
Core performance measures	\$ 2,635	\$ 32	\$ 492	\$ 403	18.1%	\$ 0.40

(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
Nine Months Ended September 30, 2018
(Unaudited; amounts in millions, except per share amounts)

	Nine Months Ended September 30, 2018					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	Per share
As reported – GAAP	\$ 8,255	\$ 102	\$ 1,157	\$ 774	33.1%	\$ 0.82
Constant-currency adjustment (1)	62	1	110	114		0.12
Translation gain on Japanese yen-denominated debt (2)			(28)	(21)		(0.02)
Translated earnings contract gain (3)			(85)	(50)		(0.05)
Acquisition-related costs (4)			95	74		0.08
Discrete tax items and other tax-related adjustments (5)				103		0.11
Litigation, regulatory and other legal matters (6)			143	111		0.12
Restructuring, impairment and other charges (7)			58	40		0.04
Equity in earnings of affiliated companies (8)		(14)	(14)	(12)		(0.01)
Pension mark-to-market adjustment (10)			1	1		
Core performance measures	\$ 8,317	\$ 89	\$ 1,437	\$ 1,134	21.1%	\$ 1.20

(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
Nine Months Ended September 30, 2017
(Unaudited; amounts in millions, except per share amounts)

	Nine Months Ended September 30, 2017						
	Net sales	Equity earnings	Income before taxes	Net income	Effective tax rate (a)	Per share	
As reported - GAAP	\$ 7,479	\$ 148	\$ 1,091	\$ 915	16.1%	\$ 0.89	
Constant-currency adjustment (1)	104	2	124	94		0.08	
Translation gain on Japanese yen-denominated debt (2)			(14)	(9)		(0.01)	
Translated earnings contract loss (3)			198	124		0.12	
Acquisition-related costs (4)			60	41		0.04	
Discrete tax items and other tax-related adjustments (5)				28		0.03	
Litigation, regulatory and other legal matters (6)			(12)	(9)		(0.01)	
Restructuring, impairment and other charges (7)			50	35		0.03	
Equity in earnings of affiliated companies (8)		(72)	(72)	(46)		(0.04)	
Adjustments related to acquisitions (9)			(5)	(3)			
Pension mark-to-market adjustment (10)			15	9		0.01	
Core performance measures	\$ 7,583	\$ 78	\$ 1,435	\$ 1,179	17.8%	\$ 1.14	

(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
GROSS MARGIN, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESEARCH,
DEVELOPMENT AND ENGINEERING EXPENSES
Three and Nine Months Ended September 30, 2018 and 2017
(Unaudited; amounts in millions)

	Three Months Ended September 30, 2018				Three Months Ended September 30, 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	\$ 1,232	41%	\$ 439	\$ 244	\$ 1,050	40%	\$ 375	\$ 215
Constant-currency adjustment (1)	40				34			
Translated earnings contract gain (3)	(1)							
Acquisition-related costs (4)	4		(6)	(1)	3			
Litigation, regulatory and other legal matters (6)			(12)					
Restructuring, impairment and other charges (7)	5		(1)					
Core performance measures	\$ 1,280	42%	\$ 420	\$ 243	\$ 1,087	41%	\$ 375	\$ 215

	Nine Months Ended September 30, 2018				Nine Months Ended September 30, 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	\$ 3,259	39%	\$ 1,352	\$ 728	\$ 2,988	40%	\$ 1,072	\$ 623
Constant-currency adjustment (1)	104		(1)		121			
Translated earnings contract gain (3)	(3)							
Acquisition-related costs (4)	5		(21)	(2)	7			
Litigation, regulatory and other legal matters (6)			(144)				12	
Restructuring, impairment and other charges (7)	48		(9)		32		(8)	
Adjustments related to acquisitions (9)							6	
Pension mark-to-market adjustment (10)							(15)	
Core performance measures	\$ 3,413	41%	\$ 1,177	\$ 726	\$ 3,148	42%	\$ 1,067	\$ 623

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
ADJUSTED CASH FLOWS FROM OPERATING ACTIVITIES
Three and Nine Months Ended September 30, 2018 and 2017
(Unaudited; amounts in millions)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash flows from operating activities	\$ 943	\$ 645	\$ 1,978	\$ 1,116
Realized gains on translated earnings contracts	26	50	62	199
Translation (gains) losses on cash balances	(13)	70	(51)	268
Receipt of contingent consideration			196	
Other				3
Adjusted cash flows from operating activities	\$ 956	\$ 765	\$ 2,185	\$ 1,586

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 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 U.S. 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 (gain) loss on Japanese yen-denominated debt: We have excluded the (gain) 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, 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 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 items which do not reflect 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.
- (10) 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.