

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net sales	\$ 2,940	\$ 2,747	\$ 5,752	\$ 5,247
Cost of sales	1,875	1,675	3,588	3,220
Gross margin	1,065	1,072	2,164	2,027
Operating expenses:				
Selling, general and administrative expenses	414	412	815	913
Research, development and engineering expenses	249	243	498	484
Amortization of purchased intangibles	28	22	57	41
Operating income	374	395	794	589
Equity in earnings of affiliated companies	33	31	58	70
Interest income	5	9	12	22
Interest expense	(54)	(43)	(106)	(95)
Translated earnings contract (loss) gain, net	(107)	458	77	(164)
Other (expense) income, net	(35)	14	(44)	(23)
Income before income taxes	216	864	791	399
Provision for income taxes	(124)	(126)	(200)	(250)
Net income attributable to Corning Incorporated	<u>\$ 92</u>	<u>\$ 738</u>	<u>\$ 591</u>	<u>\$ 149</u>
Earnings per common share attributable to Corning Incorporated:				
Basic	<u>\$ 0.09</u>	<u>\$ 0.87</u>	<u>\$ 0.69</u>	<u>\$ 0.12</u>
Diluted	<u>\$ 0.09</u>	<u>\$ 0.78</u>	<u>\$ 0.65</u>	<u>\$ 0.12</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

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

	June 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,178	\$ 2,355
Trade accounts receivable, net of doubtful accounts and allowances	2,103	1,940
Inventories, net of inventory reserves	2,291	2,037
Other current assets	739	702
Total current assets	6,311	7,034
Investments	344	376
Property, plant and equipment, net of accumulated depreciation	15,137	14,895
Goodwill, net	1,938	1,936
Other intangible assets, net	1,240	1,292
Deferred income taxes	1,053	951
Other assets	1,552	1,021
Total Assets	\$ 27,575	\$ 27,505
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 455	\$ 4
Accounts payable	1,297	1,456
Other accrued liabilities	1,664	1,851
Total current liabilities	3,416	3,311
Long-term debt	6,080	5,994
Postretirement benefits other than pensions	648	662
Other liabilities	3,910	3,652
Total liabilities	14,054	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: 1,717 million and 1,713 million	858	857
Additional paid-in capital – common stock	14,277	14,212
Retained earnings	16,399	16,303
Treasury stock, at cost; Shares held: 938 million and 925 million	(19,279)	(18,870)
Accumulated other comprehensive loss	(1,130)	(1,010)
Total Corning Incorporated shareholders' equity	13,425	13,792
Noncontrolling interests	96	94
Total equity	13,521	13,886
Total Liabilities and Equity	\$ 27,575	\$ 27,505

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Cash Flows from Operating Activities:				
Net income	\$ 92	\$ 738	\$ 591	\$ 149
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	352	300	658	604
Amortization of purchased intangibles	28	22	57	41
Equity in earnings of affiliated companies	(33)	(31)	(58)	(70)
Deferred tax provision (benefit)	6	30	(34)	46
Customer incentives and deposits		300	2	576
Translated earnings contract loss (gain)	107	(458)	(77)	164
Unrealized translation losses on transactions	26	101	34	38
Changes in certain working capital items:				
Trade accounts receivable	(165)	(135)	(201)	(41)
Inventories	(98)	(95)	(257)	(193)
Other current assets	(67)	62	(164)	(30)
Accounts payable and other current liabilities	(66)	16	(365)	(146)
Other, net	(29)	(135)	(62)	(103)
Net cash provided by operating activities	<u>153</u>	<u>715</u>	<u>124</u>	<u>1,035</u>
Cash Flows from Investing Activities:				
Capital expenditures	(570)	(522)	(1,094)	(1,177)
Acquisition of businesses, net of cash received		(794)		(794)
Proceeds from settlement of initial contingent consideration asset		196		196
Realized gains on translated earnings contracts	29	23	49	36
Other, net	(10)	(14)	11	(16)
Net cash used in investing activities	<u>(551)</u>	<u>(1,111)</u>	<u>(1,034)</u>	<u>(1,755)</u>
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt		(375)		(375)
Proceeds from issuance of commercial paper, net	446		446	
Proceeds from issuance of long-term debt, net		596		596
Proceeds from the exercise of stock options	13	22	36	43
Repurchases of common stock for treasury	(150)	(683)	(407)	(1,483)
Dividends paid	(181)	(171)	(362)	(348)
Other, net	3	(8)	25	(11)
Net cash provided by (used in) financing activities	<u>131</u>	<u>(619)</u>	<u>(262)</u>	<u>(1,578)</u>
Effect of exchange rates on cash	(11)	(58)	(5)	4
Net decrease in cash and cash equivalents	(278)	(1,073)	(1,177)	(2,294)
Cash and cash equivalents at beginning of period	1,456	3,096	2,355	4,317
Cash and cash equivalents at end of period	<u>\$ 1,178</u>	<u>\$ 2,023</u>	<u>\$ 1,178</u>	<u>\$ 2,023</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net income attributable to Corning Incorporated	\$ 92	\$ 738	\$ 591	\$ 149
Less: Series A convertible preferred stock dividend	24	24	49	49
Net income available to common stockholders – basic	68	714	542	100
Add: Series A convertible preferred stock dividend		24	49	
Net income available to common stockholders – diluted	\$ 68	\$ 738	\$ 591	\$ 100
Weighted-average common shares outstanding - basic	781	819	782	833
Effect of dilutive securities:				
Stock options and other dilutive securities	8	9	9	10
Series A convertible preferred stock		115	115	
Weighted-average common shares outstanding - diluted	789	943	906	843
Basic earnings per common share	\$ 0.09	\$ 0.87	\$ 0.69	\$ 0.12
Diluted earnings per common share	\$ 0.09	\$ 0.78	\$ 0.65	\$ 0.12

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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Core earnings attributable to Corning Incorporated	\$ 410	\$ 359	\$ 775	\$ 658
Less: Series A convertible preferred stock dividend	24	24	49	49
Core earnings available to common stockholders - basic	386	335	726	609
Add: Series A convertible preferred stock dividend	24	24	49	49
Core earnings available to common stockholders - diluted	\$ 410	\$ 359	\$ 775	\$ 658
Weighted-average common shares outstanding - basic	781	819	782	833
Effect of dilutive securities:				
Stock options and other dilutive securities	8	9	9	10
Series A convertible preferred stock	115	115	115	115
Weighted-average common shares outstanding - diluted	904	943	906	958
Core basic earnings per common share	\$ 0.49	\$ 0.41	\$ 0.93	\$ 0.73
Core diluted earnings per common share	\$ 0.45	\$ 0.38	\$ 0.86	\$ 0.69

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 foreign currency exchange rates 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 and Six Months Ended June 30, 2019
(Unaudited; amounts in millions, except per share amounts)

	Three Months Ended June 30, 2019					
	Net sales	Equity earnings	Income before taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 2,940	\$ 33	\$ 216	\$ 92	57.4%	\$ 0.09
Constant-currency adjustment (1)	46		36	43		0.05
Translation loss on Japanese yen-denominated debt (2)			36	28		0.04
Translated earnings contract loss (3)			107	84		0.11
Acquisition-related costs (4)			34	26		0.03
Discrete tax items and other tax-related adjustments (5)				74		0.09
Restructuring, impairment and other charges and credits (7)		6	67	53		0.07
Equity in earnings of affiliated companies (8)		(11)	(11)	(9)		(0.01)
Pension mark-to-market adjustment (9)			24	19		0.02
Core performance measures	\$ 2,986	\$ 28	\$ 509	\$ 410	19.4%	\$ 0.45

	Six Months Ended June 30, 2019					
	Net sales	Equity earnings	Income before taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 5,752	\$ 58	\$ 791	\$ 591	25.3%	\$ 0.65
Constant-currency adjustment (1)	84	1	73	74		0.08
Translation loss on Japanese yen-denominated debt (2)			21	17		0.02
Translated earnings contract gain (3)			(77)	(60)		(0.07)
Acquisition-related costs (4)			71	54		0.06
Discrete tax items and other tax-related adjustments (5)				31		0.03
Restructuring, impairment and other charges and credits (7)		6	74	58		0.06
Equity in earnings of affiliated companies (8)		(11)	(11)	(9)		(0.01)
Pension mark-to-market adjustment (9)			24	19		0.02
Core performance measures	\$ 5,836	\$ 54	\$ 966	\$ 775	19.8%	\$ 0.86

(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 and Six Months Ended June 30, 2018
(Unaudited; amounts in millions, except per share amounts)

	Three Months Ended June 30, 2018					
	Net sales	Equity earnings	Income before taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 2,747	\$ 31	\$ 864	\$ 738	14.6%	\$ 0.78
Constant-currency adjustment (1)	12	1	32	37		0.04
Translation gain on Japanese yen-denominated debt (2)			(37)	(29)		(0.03)
Translated earnings contract gain (3)			(465)	(410)		(0.43)
Acquisition-related costs (4)			39	30		0.03
Discrete tax items and other tax-related adjustments (5)				(28)		(0.03)
Restructuring, impairment and other charges and credits (7)			26	20		0.02
Pension mark-to-market adjustment (9)			1	1		
Core performance measures	\$ 2,759	\$ 32	\$ 460	\$ 359	22.0%	\$ 0.38

	Six Months Ended June 30, 2018					
	Net sales	Equity earnings	Income before taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 5,247	\$ 70	\$ 399	\$ 149	62.7%	\$ 0.12
Constant-currency adjustment (1)	25	1	68	68		0.08
Translation loss on Japanese yen-denominated debt (2)			2	2		
Translated earnings contract loss (3)			147	121		0.14
Acquisition-related costs (4)			58	45		0.05
Discrete tax items and other tax-related adjustments (5)				143		0.17
Litigation, regulatory and other legal matters (6)			132	103		0.12
Restructuring, impairment and other charges and credits (7)			49	38		0.05
Equity in earnings of affiliated companies (8)		(14)	(14)	(12)		(0.01)
Pension mark-to-market adjustment (9)			1	1		
Core performance measures	\$ 5,272	\$ 57	\$ 842	\$ 658	21.9%	\$ 0.69

(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 and Six Months Ended June 30, 2019 and 2018
(Unaudited; amounts in millions)

	Three Months Ended June 30, 2019				Three Months Ended June 30, 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	\$ 1,065	36%	\$ 414	\$ 249	\$ 1,072	39%	\$ 412	\$ 243
Constant-currency adjustment (1)	37		2		31			
Translated earnings contract gain (3)					(1)			
Acquisition-related costs (4)	1		(5)		1		(15)	(1)
Litigation, regulatory and other legal matters (6)			2					
Restructuring, impairment and other charges (7)	95		(6)		20		(6)	
Core performance measures	\$ 1,198	40%	\$ 407	\$ 249	\$ 1,123	41%	\$ 391	\$ 242

	Six Months Ended June 30, 2019				Six Months Ended June 30, 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	\$ 2,164	38%	\$ 815	\$ 498	\$ 2,027	39%	\$ 913	\$ 484
Constant-currency adjustment (1)	73		3		64		(1)	
Translated earnings contract gain (3)					(1)			
Acquisition-related costs (4)	5		(9)	(1)			(15)	(1)
Litigation, regulatory and other legal matters (6)			2				(132)	
Restructuring, impairment and other charges (7)	95		(6)		43		(8)	
Core performance measures	\$ 2,337	40%	\$ 805	\$ 497	\$ 2,133	40%	\$ 757	\$ 483

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 and Six Months Ended June 30, 2019 and 2018
(Unaudited; amounts in millions)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities	\$ 153	\$ 715	\$ 124	\$ 1,035
Realized gains on translated earnings contracts	29	23	49	36
Translation losses on cash balances	(26)	(101)	(34)	(38)
Receipt of contingent consideration		196		196
Adjusted cash flows from operating activities	\$ 156	\$ 833	\$ 139	\$ 1,229

Items which we exclude from GAAP measures to report 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 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 constant-currency rates 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	NT\$31	€ .81

- (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, new Taiwan dollar 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 and credits: This amount includes restructuring, impairment and other charges and credits, 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, other charges and credits and settlements under “take-or-pay” contracts.
- (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.