CORNING

Understanding our Disclosures for Currency Hedges Related to Translated Earnings

Corning Incorporated

March 8, 2019

Use of Non-GAAP Financial Information

Corning has included non-GAAP financial measures in this presentation to supplement Corning's consolidated financial statements presented on a GAAP basis. 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. Definitions of these non-GAAP financial measures and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found on the Company's website by going to the Investor Relations page and clicking "Financial Highlights" under the "Performance" tab.

With respect to the Company's outlook for future periods, we are not able to provide reconciliations for these non-GAAP measures because the Company does not forecast the movement of foreign currencies 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.

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Translation Hedges Reduce Our Economic Exposure to FX Fluctuations

- Many of our foreign subsidiaries operate in functional currencies other than the U.S. dollar
- Specifically, a significant portion of Corning's non-U.S. sales and manufacturing costs are denominated in Japanese yen (JPY), South Korean won (KRW), New Taiwan dollar (TWD), Chinese yuan (CNY) and euro (EUR)
- When these foreign-denominated sales and costs are translated to U.S. dollars for consolidated reporting, Corning is exposed to fluctuations in currency exchange rates (FX) which creates volatility in our reported results
- Translation hedges reduce our economic exposure to currency fluctuations, providing higher certainty for our earnings and cash flow, our ability to invest for growth, and our future shareholder distributions

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Core Performance Measures Provide Transparency Into Operations

- Core performance measures* exclude the impact of changes in FX by using a constant-currency convention, while also excluding the gains and losses on FX hedges related to translated earnings
- Constant-currency reporting allows investors to understand our results without the volatility of FX fluctuations, and also reflects the underlying economics of the translated earnings contracts used to mitigate the impact of FX fluctuations on our earnings and cash flows
  - Effective 1/1/2018, Corning's constant-currency rates: JPY 107; KRW 1,175; TWD 31; CNY 6.7
- Note, GAAP accounting requires earnings translation hedge contracts settling in future periods to be "marked to market" and recorded at current value at the end of each quarter, even though those contracts did not settle in the current quarter
  - This mark-to-market accounting can cause significant swings in our quarterly GAAP earnings as FX rates move, but has no impact on our cash flow

* See Appendix for detail on items excluded from GAAP measures to arrive at core performance measures

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FX Translation and Hedge Accounting Impact Our GAAP Results

(In millions, except per share amounts)	Years ended December 31, 2018	2017	2016
Net sales	**$ 11,290**	$ 10,116	$ 9,390
Cost of sales	**6,829**	6,096	5,627
Gross margin	**4,461**	4,020	3,763
Operating expenses:			
Selling, general and administrative expenses	**1,799**	1,473	1,462
Research, development and engineering expenses	**993**	864	736
Amortization of purchased intangibles	**94**	75	64
Restructuring, impairment and other charges			77
Operating income	**1,575**	1,608	1,424
Equity in earnings of affiliated companies (Note 5)	**390**	361	284
Interest income	**38**	45	32
Interest expense	**(191)**	(155)	(159)
Translated earnings contract loss, net	**(93)**	(121)	(448)
Gain on realignment of equity investment			2,676
Other expense, net	**(216)**	(81)	(117)
Income before income taxes	**1,503**	1,657	3,692
(Provision) benefit for income taxes (Note 4)	**(437)**	(2,154)	3
Net income (loss) attributable to Corning Incorporated	**$ 1,066**	$ (497)	$ 3,695
Earnings (loss) per common share attributable to Corning Incorporated:			
Basic (Note 16)	**$ 1.19**	$ (0.66)	$ 3.53
Diluted (Note 16)	**$ 1.13**	$ (0.66)	$ 3.23
Dividends declared per common share	**$ 0.72**	$ 0.62	$ 0.54

← Non-U.S. sales and costs are translated to U.S. dollars at actual exchange rates during the period

← Net gain (loss) on translation hedge contracts; includes realized and unrealized mark-to-market gains (losses)

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Reconciliation of Non-GAAP Measures is Useful for Understanding Our Results Without the Volatility of FX Fluctuations

The following tables reconcile our non-GAAP financial measures to their most directly comparable GAAP financial measure (amounts in millions except percentages and per share amounts):

	Year ended December 31, 2018					
	Net Sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	Earnings per share
As reported	**$ 11,290**	**$ 390**	**$ 1,503**	**$ 1,066**	**29.1%**	**$ 1.13**
Constant-currency adjustment (1)	108	2	156	127		0.13
Translation loss on Japanese yen-denominated debt (2)			18	15		0.02
Translated earnings contract loss, net (3)			73	97		0.10
Acquisition-related costs (4)			132	103		0.11
Discrete tax items and other tax-related adjustments (5)				79		0.08
Litigation, regulatory and other legal matters (6)			124	96		0.10
Restructuring, impairment and other charges (7)			130	96		0.10
Equity in earnings of affiliated companies (8)		(151)	(151)	(119)		(0.13)
Pension mark-to-market adjustment (10)			145	113		0.12
Core performance measures	$ 11,398	$ 241	$ 2,130	$ 1,673	21.5%	$ 1.78

(a) Based upon statutory tax rates in the specific jurisdiction for each event

← Constant-currency adjustment for exchange rate movements

← Adjustment for net loss (gain) on translation hedge contracts for constant currencies

* See Appendix for detail on items excluded from GAAP measures to arrive at core performance measures

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Unrealized Losses (Gains) From Translation Hedges Have No Impact on Our Cash Flow

(In millions)	Years ended December 31, 2018	2017	2016
Cash Flows from Operating Activities:			
Net income (loss)	**$ 1,066**	$ (497)	$ 3,695
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	**1,199**	1,083	1,131
Amortization of purchased intangibles	**94**	75	64
Restructuring, impairment and other charges			77
Equity in earnings of affiliated companies	**(390)**	(361)	(284)
Dividends received from affiliated companies	**241**	201	85
Deferred tax (benefit) provision	**(38)**	1,796	(308)
Customer incentives and deposits, net	**700**	100	185
Translated earnings contract loss, net	**93**	121	448
Unrealized translation loss (gain) on transactions	**55**	(339)	1
Gain on realignment of equity investment			(2,676)
Changes in certain working capital items:			
Trade accounts receivable	**(154)**	(225)	(106)
Inventories	**(346)**	(170)	(68)
Other current assets	**(20)**	(172)	18
Accounts payable and other current liabilities	**358**	169	259
Other, net	**61**	223	16
Net cash provided by operating activities	**2,919**	2,004	2,537

← Net income (loss) includes translation impact from foreign earnings and net gain (loss) on translation hedge contracts

← Net loss (gain) on translation hedge contracts is added back to net income (loss); includes realized and unrealized mark-to-market gains/losses

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Realized Gains on Translation Hedges Are Recognized in Cash Flows from Investing Activities

(In millions)	Years ended December 31, 2018	2017	2016
Cash Flows from Investing Activities:			
Capital expenditures	**(2,242)**	(1,804)	(1,130)
Acquisitions of businesses, net of cash received	**(842)**	(171)	(333)
Proceeds from settlement of initial contingent consideration asset	**196**		
Proceeds from sale of a business		14	
Cash received on realignment of equity investment			4,818
Purchase of equipment for related party	**(68)**		
Short-term investments – acquisitions			(20)
Short-term investments – liquidations		29	121
Realized gains on translated earnings contracts	**108**	270	201
Other, net	**(39)**	(48)	5
Net cash (used in) provided by investing activities	**(2,887)**	(1,710)	3,662

← Realized gains on translation hedge contracts settled within the period, substantially offsetting the translation impact from foreign earnings

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Adjusted Operating Cash Flow Includes Realized Gains and Other Non-Cash Items

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months and Year Ended December 31, 2018 and 2017
(Unaudited; amounts in millions)

	Three Months Ended		Year Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash flows from operating activities	$ 939	$ 888	$ 2,919	$ 2,004
Realized gains on translated earnings contracts	46	71	108	270
Translation (losses) gains on cash balances	(4)	75	(55)	342
Receipt of contingent consideration			196	
Other		1		4
Adjusted cash flows from operating activities	$ 981	$ 1,035	$ 3,168	$ 2,620

← Realized gains on translation hedge contracts settled within the period

← Non-cash adjustment related to translation on intercompany accounts (does not relate to translated earnings hedges)

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Appendix

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Items Excluded From GAAP Measures (continued)

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 and Specialty Materials 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 earnings of translating these currencies into U.S. dollars. 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.

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 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 closely aligned to our current won portfolio of foreign currency hedges, 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 New Taiwan dollar 31, which is closely aligned to our current New Taiwan dollar portfolio of cash flow 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 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, South Korean won, Chinese yuan and New 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 offset by changes in judgment about the realizability of certain deferred tax assets. For 2017, this amount represents the removal of discrete adjustments (e.g., changes in tax law, other than those of the 2017 Tax Act which are set forth separately, and changes in judgment about the realizability of certain deferred tax assets) as well as other non-operational tax-related adjustments.

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Items Excluded From GAAP Measures (continued)

(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, or modifications, 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.

(11) Gain on realignment of equity investment: Gain recorded upon the completion of the strategic realignment of our ownership interest in Dow Corning.

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

(13) Adjustments resulting from the 2017 Tax Act: Includes a provisional amount related to the one-time mandatory tax on unrepatriated foreign earnings, a provisional amount related to the remeasurement of U.S. deferred tax assets and liabilities, changes in valuation allowances as a result of the 2017 Tax Act, and adjustments for the elimination of excess foreign tax credit planning.

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