

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

	Three months ended	
	March 31,	
	2022	2021
Net sales	\$ 3,680	\$ 3,290
Cost of sales	2,397	2,134
Gross margin	1,283	1,156
Operating expenses:		
Selling, general and administrative expenses	434	400
Research, development and engineering expenses	248	222
Amortization of purchased intangibles	31	32
Operating income	570	502
Interest income	3	3
Interest expense	(71)	(77)
Translated earnings contract gain, net	129	272
Other income, net	130	125
Income before income taxes	761	825
Provision for income taxes	(180)	(226)
Net income attributable to Corning Incorporated	\$ 581	\$ 599
Earnings per common share available to common shareholders:		
Basic	\$ 0.69	\$ 0.75
Diluted	\$ 0.68	\$ 0.67

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share amounts)

	March 31, 2022 (unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,016	\$ 2,148
Trade accounts receivable, net of doubtful accounts	1,910	2,004
Inventories, net	2,618	2,481
Other current assets	1,317	1,026
Total current assets	7,861	7,659
Property, plant and equipment, net of accumulated depreciation	15,780	15,804
Goodwill, net	2,408	2,421
Other intangible assets, net	1,118	1,148
Deferred income taxes	1,030	1,066
Other assets	2,060	2,056
Total Assets	\$ 30,257	\$ 30,154
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 145	\$ 55
Accounts payable	1,824	1,612
Other accrued liabilities	3,092	3,139
Total current liabilities	5,061	4,806
Long-term debt	6,839	6,989
Postretirement benefits other than pensions	620	622
Other liabilities	5,108	5,192
Total liabilities	17,628	17,609
Commitments and contingencies		
Shareholders' equity:		
Common stock – Par value \$0.50 per share; Shares authorized 3.8 billion; Shares issued: 1.8 billion and 1.8 billion	908	907
Additional paid-in capital – common stock	16,531	16,475
Retained earnings	16,737	16,389
Treasury stock, at cost; Shares held: 973 million and 970 million	(20,419)	(20,263)
Accumulated other comprehensive loss	(1,362)	(1,175)
Total Corning Incorporated shareholders' equity	12,395	12,333
Non-controlling interests	234	212
Total equity	12,629	12,545
Total Liabilities and Equity	\$ 30,257	\$ 30,154

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

	Three months ended	
	March 31,	
	2022	2021
Cash Flows from Operating Activities:		
Net income	\$ 581	\$ 599
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	342	330
Amortization of purchased intangibles	31	32
Gain on sale of business	(53)	(14)
Loss on investment		36
Share-based compensation expense	42	34
Translation gain on Japanese yen-denominated debt	(84)	(118)
Deferred tax provision	24	121
Translated earnings contract gain	(129)	(272)
Unrealized translation losses on transactions	20	59
Changes in assets and liabilities:		
Trade accounts receivable	7	109
Inventories	(159)	44
Other current assets	(709)	(26)
Accounts payable	238	(49)
Other current liabilities	467	22
Customer deposits and government incentives	(9)	31
Deferred income	(25)	(34)
Other, net	(50)	(181)
Net cash provided by operating activities	534	723
Cash Flows from Investing Activities:		
Capital expenditures	(383)	(289)
Proceeds from sale of business	74	24
Realized gains (losses) on translated earnings contract	40	(3)
Other, net	(9)	(20)
Net cash used in investing activities	(278)	(288)
Cash Flows from Financing Activities:		
Repayments of short-term borrowings	(11)	(25)
Proceeds from exercise of stock options	18	51
Purchases of common stock for treasury	(149)	
Dividends paid	(228)	(208)
Other, net	(5)	(8)
Net cash used in financing activities	(375)	(190)
Effect of exchange rates on cash	(13)	(49)
Net (decrease) increase in cash and cash equivalents	(132)	196
Cash and cash equivalents at beginning of period	2,148	2,672
Cash and cash equivalents at end of period	\$ 2,016	\$ 2,868

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 March 31,	
	2022	2021
Net income attributable to Corning Incorporated	\$ 581	\$ 599
Less: Series A convertible preferred stock dividend		24
Net income available to common shareholders – basic	581	575
Plus: Series A convertible preferred stock dividend		24
Net income available to common shareholders – diluted	\$ 581	\$ 599
Weighted-average common shares outstanding - basic	843	766
Effect of dilutive securities:		
Employee stock options and other dilutive securities	16	17
Series A convertible preferred stock		115
Weighted-average common shares outstanding - diluted	859	898
Basic earnings per common share	\$ 0.69	\$ 0.75
Diluted earnings per common share	\$ 0.68	\$ 0.67

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,	
	2022	2021
Core net income attributable to Corning Incorporated	\$ 465	\$ 402
Less: Series A convertible preferred stock dividend		24
Core net income available to common shareholders - basic	465	378
Plus: Series A convertible preferred stock dividend		24
Core net income available to common shareholders - diluted	\$ 465	\$ 402
Weighted-average common shares outstanding - basic	843	766
Effect of dilutive securities:		
Stock options and other dilutive securities	16	17
Series A convertible preferred stock		115
Weighted-average common shares outstanding - diluted	859	898
Core basic earnings per common share	\$ 0.55	\$ 0.49
Core diluted earnings per common share	\$ 0.54	\$ 0.45

CORE PERFORMANCE MEASURES

In managing the Company and assessing our financial performance, certain measures provided by our consolidated financial statements are adjusted to exclude specific items to arrive at core performance measures. These items include gains and losses on translated earnings contracts, acquisition-related costs, certain discrete tax items and other tax-related adjustments, restructuring, impairment losses, and other charges and credits, 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, Environmental Technologies, Specialty Materials and Life Sciences segments for the Japanese yen, South Korean won, Chinese yuan, new Taiwan dollar and the euro. 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 earnings and cash flows. Corning also believes that reporting core performance measures provides investors greater transparency to the information used by the 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 results as they are more indicative of our core operating performance and how management evaluates 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 outlook for future periods, it is not possible 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.

For a reconciliation of non-GAAP performance measures to their most directly comparable GAAP financial measure, please see “Reconciliation of Non-GAAP Measures”.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE
Three Months Ended March 31, 2022 and 2021
(Unaudited; amounts in millions, except per share amounts)

	Three months ended March 31, 2022					
	Net sales	Equity (losses) earnings	Income before income taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 3,680	\$ (1)	\$ 761	\$ 581	23.7%	\$ 0.68
Constant-currency adjustment (1)	64	1	63	49		0.06
Translation gain on Japanese yen-denominated debt (2)			(84)	(64)		(0.07)
Translated earnings contract gain (3)			(129)	(99)		(0.12)
Acquisition-related costs (4)			39	32		0.04
Discrete tax items and other tax-related adjustments (5)				11		0.01
Pension mark-to-market adjustment (6)			(10)	(8)		(0.01)
Restructuring, impairment and other charges and credits (7)			33	24		0.03
Gain on sale of business (8)			(53)	(41)		(0.05)
Contingent consideration (9)			(26)	(20)		(0.02)
Core performance measures	\$ 3,744	\$ —	\$ 594	\$ 465	21.7%	\$ 0.54

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

	Three months ended March 31, 2021					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 3,290	\$ 8	\$ 825	\$ 599	27.4%	\$ 0.67
Constant-currency adjustment (1)	(27)		(6)	5		0.01
Translation gain on Japanese yen-denominated debt (2)			(118)	(90)		(0.10)
Translated earnings contract gain (3)			(272)	(209)		(0.23)
Acquisition-related costs (4)			47	35		0.04
Discrete tax items and other tax-related adjustments (5)				37		0.04
Pension mark-to-market adjustment (6)			5	4		0.00
Gain on sale of business (8)			(14)	(14)		(0.02)
Litigation, regulatory and other legal matters (10)			8	8		0.01
Loss on investments (11)			35	27		0.03
Core performance measures	\$ 3,263	\$ 8	\$ 510	\$ 402	21.2%	\$ 0.45

(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, 2022 and 2021
(Unaudited; amounts in millions, except per share amounts)

	Three months ended March 31, 2022					
	Gross margin	Gross margin %	Selling, general and administrative expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 1,283	34.9%	\$ 434	\$ 248	\$ 570	15.5%
Constant-currency adjustment (1)	62				62	
Acquisition-related costs (4)			1		30	
Pension mark-to-market adjustment (6)			8	2	(10)	
Restructuring, impairment and other charges and credits (7)	25		(8)		33	
Contingent consideration (9)			26		(26)	
Core performance measures	\$ 1,370	36.6%	\$ 461	\$ 250	\$ 659	17.6%

	Three months ended March 31, 2021					
	Gross margin	Gross margin %	Selling, general and administrative expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 1,156	35.1%	\$ 400	\$ 222	\$ 502	15.3%
Constant-currency adjustment (1)	(7)		(1)		(6)	
Acquisition-related costs (4)	18				50	
Pension mark-to-market adjustment (6)			(3)	(2)	5	
Litigation, regulatory and other legal matters (10)			(8)		8	
Core performance measures	\$ 1,167	35.8%	\$ 388	\$ 220	\$ 559	17.1%

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, 2022 and 2021
(Unaudited; amounts in millions)

	Three months ended	
	March 31,	
	2022	2021
Cash flows from operating activities	\$ 534	\$ 723
Realized gains (losses) on translated earnings contracts	40	(3)
Translation losses on cash balances	(20)	(59)
Adjusted cash flows from operating activities	\$ 554	\$ 661
Less: Capital expenditures	\$ 383	\$ 289
Free cash flow	\$ 171	\$ 372

Items which we exclude from GAAP measures to arrive at core performance measures are as follows:

- (1) Constant-currency adjustment: Because a significant portion of segment revenues and expenses are denominated in currencies other than the U.S. dollar, management believes it is important to understand the impact on core net income 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 South Korean won, Chinese yuan, and new Taiwan dollar. Environmental Technologies and Life Science segments sales and net income are primarily impacted by the euro and Chinese yuan. Presenting results on a constant-currency basis mitigates the translation impact and allows management to evaluate performance period over period, analyze underlying trends in the 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 on Japanese yen-denominated debt: We have excluded the gain or loss on the translation of the yen-denominated debt to U.S. dollars.
- (3) Translated earnings contract gain: We have excluded the impact of the realized and unrealized gains and losses of the Japanese yen, South Korean won, Chinese yuan, euro and new Taiwan dollar-denominated foreign currency hedges related to translated earnings, as well as the unrealized gains and losses of the British pound-denominated foreign currency hedges related to translated earnings.
- (4) Acquisition-related costs: These expenses include intangible amortization, inventory valuation adjustments, external acquisition-related deal costs, and other transaction related costs.
- (5) Discrete tax items and other tax-related adjustments: These include discrete period tax items such as changes of tax reserves and changes in our permanently reinvested foreign income position.
- (6) 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.
- (7) Restructuring, impairment and other charges and credits: This amount primarily includes other charges and credits. A portion of the charge during the first quarter of 2022, related to facility repairs resulting from the impact of the third quarter 2021 power outages. The Company is pursuing recoveries under its applicable property insurance policies.
- (8) Gain on sale of business: Amount represents the gain recognized for the sale of a certain business.
- (9) Contingent consideration: This amount represents the fair value mark-to-market cost adjustment of contingent consideration resulting from the Hemlock Semiconductor Group ("Hemlock") Transaction on September 9, 2020.
- (10) Litigation, regulatory and other legal matters: Includes amounts that reflect developments in commercial litigation, intellectual property disputes, adjustments to the estimated liability for environmental-related items and other legal matters.
- (11) Loss on investments: Amount represents the loss recognized due to mark-to-mark adjustments capturing the change in fair value based on the closing stock market price.