

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,	
	2023	2022	2023	2022
Net sales	\$ 3,173	\$ 3,488	\$ 9,594	\$ 10,783
Cost of sales	<u>2,169</u>	<u>2,426</u>	<u>6,574</u>	<u>7,192</u>
Gross margin	1,004	1,062	3,020	3,591
Operating expenses:				
Selling, general and administrative expenses	468	461	1,329	1,381
Research, development and engineering expenses	270	278	787	766
Amortization of purchased intangibles	<u>30</u>	<u>31</u>	<u>92</u>	<u>92</u>
Operating income	236	292	812	1,352
Interest income	10	3	25	9
Interest expense	(82)	(73)	(239)	(216)
Translated earnings contract gain (loss), net	20	(68)	128	257
Other income, net	<u>33</u>	<u>106</u>	<u>128</u>	<u>391</u>
Income before income taxes	217	260	854	1,793
Provision for income taxes	<u>(35)</u>	<u>(34)</u>	<u>(178)</u>	<u>(380)</u>
Net income	182	226	676	1,413
Net income attributable to non-controlling interest	<u>(18)</u>	<u>(18)</u>	<u>(55)</u>	<u>(61)</u>
Net income attributable to Corning Incorporated	<u>\$ 164</u>	<u>\$ 208</u>	<u>\$ 621</u>	<u>\$ 1,352</u>
Earnings per common share available to common shareholders:				
Basic	<u>\$ 0.19</u>	<u>\$ 0.25</u>	<u>\$ 0.73</u>	<u>\$ 1.60</u>
Diluted	<u>\$ 0.19</u>	<u>\$ 0.24</u>	<u>\$ 0.72</u>	<u>\$ 1.58</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

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

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,639	\$ 1,671
Trade accounts receivable, net of doubtful accounts	1,725	1,721
Inventories	2,655	2,904
Other current assets	1,279	1,157
Total current assets	7,298	7,453
Property, plant and equipment, net of accumulated depreciation	14,407	15,371
Goodwill, net	2,372	2,394
Other intangible assets, net	938	1,029
Deferred income taxes	1,037	1,073
Other assets	2,226	2,179
Total Assets	\$ 28,278	\$ 29,499
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 297	\$ 224
Accounts payable	1,459	1,804
Other accrued liabilities	2,529	3,147
Total current liabilities	4,285	5,175
Long-term debt	7,210	6,687
Postretirement benefits other than pensions	406	407
Other liabilities	4,633	4,955
Total liabilities	16,534	17,224
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	915	910
Additional paid-in capital – common stock	16,877	16,682
Retained earnings	16,673	16,778
Treasury stock, at cost; Shares held: 980 million and 977 million	(20,633)	(20,532)
Accumulated other comprehensive loss	(2,402)	(1,830)
Total Corning Incorporated shareholders' equity	11,430	12,008
Non-controlling interest	314	267
Total equity	11,744	12,275
Total Liabilities and Equity	\$ 28,278	\$ 29,499

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash Flows from Operating Activities:				
Net income	\$ 182	\$ 226	\$ 676	\$ 1,413
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	310	327	932	1,014
Amortization of purchased intangibles	30	31	92	92
Loss on disposal of assets, net	49	102	72	110
Severance charges	13	8	86	8
Severance payments	(34)	(2)	(82)	(5)
Gain on sale of business				(53)
Share-based compensation expense	57	52	168	145
Translation gain on Japanese yen-denominated debt	(35)	(84)	(162)	(321)
Deferred tax provision (benefit)	47	(14)	37	58
Translated earnings contract (gain) loss, net	(20)	68	(128)	(257)
Unrealized translation loss on transactions	8	63	58	140
Tax deposit refund			99	
Changes in assets and liabilities:				
Trade accounts receivable	(73)	106	(137)	161
Inventories	73	(201)	131	(637)
Other current assets	(9)	72	(58)	(5)
Accounts payable and other current liabilities	173	(184)	(263)	25
Customer deposits and government incentives	(11)	140	(17)	144
Deferred income	13	9	(11)	(15)
Other, net	(51)	(13)	(201)	(19)
Net cash provided by operating activities	<u>722</u>	<u>706</u>	<u>1,292</u>	<u>1,998</u>
Cash Flows from Investing Activities:				
Capital expenditures	(341)	(465)	(1,111)	(1,201)
Proceeds from sale of equipment to related party			67	
Proceeds from sale of business		3		77
Realized gains on translated earnings contracts and other	93	77	270	209
Other, net	(7)	(17)	4	(54)
Net cash used in investing activities	<u>(255)</u>	<u>(402)</u>	<u>(770)</u>	<u>(969)</u>
Cash Flows from Financing Activities:				
Repayments of short-term borrowings and other long-term debt	(107)	(76)	(180)	(87)
Proceeds from issuance of short-term borrowings	30	70	30	70
Proceeds from issuance of euro bonds and other long-term debt	30	9	968	37
Proceeds from other financing arrangements			54	
Repayment of other financing arrangements	(54)		(54)	
Payment for redemption of preferred stock			(507)	(507)
Payments of employee withholding tax on stock awards	(4)	(2)	(103)	(44)
Proceeds from exercise of stock options	4	7	39	35
Purchases of common stock for treasury		(20)		(221)
Dividends paid	(246)	(234)	(741)	(696)
Other, net	(9)	(6)	(26)	(17)
Net cash used in financing activities	<u>(356)</u>	<u>(252)</u>	<u>(520)</u>	<u>(1,430)</u>
Effect of exchange rates on cash	(10)	(51)	(34)	(117)
Net increase (decrease) in cash and cash equivalents	101	1	(32)	(518)
Cash and cash equivalents at beginning of period	1,538	1,629	1,671	2,148
Cash and cash equivalents at end of period	<u>\$ 1,639</u>	<u>\$ 1,630</u>	<u>\$ 1,639</u>	<u>\$ 1,630</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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income attributable to Corning Incorporated	\$ 164	\$ 208	\$ 621	\$ 1,352
Weighted-average common shares outstanding - basic	850	843	848	843
Effect of dilutive securities:				
Stock options and other awards	9	12	10	14
Weighted-average common shares outstanding - diluted	859	855	858	857
Basic earnings per common share	\$ 0.19	\$ 0.25	\$ 0.73	\$ 1.60
Diluted earnings per common share	\$ 0.19	\$ 0.24	\$ 0.72	\$ 1.58

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,	
	2023	2022	2023	2022
Core net income	\$ 386	\$ 438	\$ 1,124	\$ 1,392
Weighted-average common shares outstanding - basic	850	843	848	843
Effect of dilutive securities:				
Stock options and other awards	9	12	10	14
Weighted-average common shares outstanding - diluted	859	855	858	857
Core basic earnings per common share	\$ 0.45	\$ 0.52	\$ 1.33	\$ 1.65
Core diluted earnings per common share	\$ 0.45	\$ 0.51	\$ 1.31	\$ 1.62

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 our core performance measures. These items include the impact of translating the Japanese yen-denominated debt, the impact of the translated earnings contracts, acquisition-related costs, certain discrete tax items and other tax-related adjustments, restructuring, impairment and other charges and credits, certain litigation, regulatory and other legal matters, pension mark-to-market adjustments and other items which do not reflect the ongoing operating results of the Company.

In addition, because a significant portion of our revenues and expenses are denominated in currencies other than the U.S. dollar, management believes it is important to understand the impact on sales and net income of translating these currencies into U.S. dollars. Therefore, management utilizes constant-currency reporting for the Display Technologies, Specialty Materials, Environmental Technologies and Life Sciences segments to exclude the impact from the Japanese yen, South Korean won, Chinese yuan, new Taiwan dollar and euro, as applicable to the segment. The most significant constant-currency adjustment relates to the Japanese yen exposure within the Display Technologies segment. We establish constant-currency rates based on internally derived management estimates, which are closely aligned with the currencies we have hedged. For details of the rates used, please see the footnotes to the “Reconciliation of Non-GAAP Measures” section.

We believe that the use of constant-currency reporting allows management to understand our results without the volatility of currency fluctuation, analyze underlying trends in the businesses and establish operational goals and forecasts. Further, we believe it 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.

Core performance measures are not prepared in accordance with GAAP, but management believes that reporting core performance measures provides investors with greater transparency to the information used by our management team to make financial and operational decisions. 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 outlook for future periods, it is not possible to provide reconciliations for these non-GAAP measures because management 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 management’s control. As a result, management 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 MEASURES
Three Months Ended September 30, 2023 and 2022
(Unaudited; in millions, except per share amounts)

	Three months ended September 30, 2023				
	Net sales	Income before income taxes	Net income attributable to Corning Incorporated	Effective tax rate (a)(b)	Per share
As reported – GAAP	\$ 3,173	\$ 217	\$ 164	16.1%	\$ 0.19
Constant-currency adjustment (1)	286	212	164		0.19
Translation gain on Japanese yen-denominated debt (2)		(35)	(29)		(0.03)
Translated earnings contract gain (3)		(20)	(16)		(0.02)
Acquisition-related costs (4)		33	25		0.03
Discrete tax items and other tax-related adjustments (5)			(3)		(0.00)
Restructuring, impairment and other charges and credits (6)		72	58		0.07
Litigation, regulatory and other legal matters (7)		32	25		0.03
Pension mark-to-market adjustment (8)		7	6		0.01
Gain on investments (9)		(8)	(8)		(0.01)
Core performance measures	\$ 3,459	\$ 510	\$ 386	20.5%	\$ 0.45

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

(b) The calculation of the effective tax rate (“ETR”) excludes net income attributable to non-controlling interests (“NCI”).

	Three months ended September 30, 2022				
	Net sales	Income before income taxes	Net income attributable to Corning Incorporated	Effective tax rate (a)(b)	Per share
As reported - GAAP	\$ 3,488	\$ 260	\$ 208	13.1%	\$ 0.24
Constant-currency adjustment (1)	178	136	79		0.09
Translation gain on Japanese yen-denominated debt (2)		(84)	(64)		(0.07)
Translated earnings contract loss (3)		68	52		0.06
Acquisition-related costs (4)		33	25		0.03
Discrete tax items and other tax-related adjustments (5)			22		0.03
Restructuring, impairment and other charges and credits (6)		138	106		0.12
Litigation, regulatory and other legal matters (7)		23	17		0.02
Pension mark-to-market adjustment (8)		(9)	(7)		(0.01)
Core performance measures	\$ 3,666	\$ 565	\$ 438	19.3%	\$ 0.51

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

(b) The calculation of the ETR excludes net income attributable to NCI.

See “Items Excluded from GAAP Measures” for the descriptions of the footnoted reconciling items.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP MEASURES
Nine Months Ended September 30, 2023 and 2022
(Unaudited; in millions, except per share amounts)

	Nine months ended September 30, 2023				
	Net sales	Income before income taxes	Net income attributable to Corning Incorporated	Effective tax rate (a)(b)	Per share
As reported – GAAP	\$ 9,594	\$ 854	\$ 621	20.8%	\$ 0.72
Constant-currency adjustment (1)	714	535	403		0.47
Translation gain on Japanese yen-denominated debt (2)		(162)	(131)		(0.15)
Translated earnings contract gain (3)		(128)	(103)		(0.12)
Acquisition-related costs (4)		99	70		0.08
Discrete tax items and other tax-related adjustments (5)			26		0.03
Restructuring, impairment and other charges and credits (6)		270	216		0.25
Litigation, regulatory and other legal matters (7)		44	35		0.04
Pension mark-to-market adjustment (8)		1	1		0.00
Loss on investments (9)		1	1		0.00
Gain on sale of assets (10)		(20)	(15)		(0.02)
Core performance measures	\$ 10,308	\$ 1,494	\$ 1,124	20.5%	\$ 1.31

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

(b) The calculation of the effective tax rate (“ETR”) excludes net income attributable to non-controlling interests (“NCI”).

	Nine months ended September 30, 2022				
	Net sales	Income before income taxes	Net income attributable to Corning Incorporated	Effective tax rate (a)(b)	Per share
As reported - GAAP	\$ 10,783	\$ 1,793	\$ 1,352	21.2%	\$ 1.58
Constant-currency adjustment (1)	389	319	221		0.26
Translation gain on Japanese yen-denominated debt (2)		(321)	(246)		(0.29)
Translated earnings contract gain (3)		(257)	(197)		(0.23)
Acquisition-related costs (4)		107	84		0.10
Discrete tax items and other tax-related adjustments (5)			38		0.04
Restructuring, impairment and other charges and credits (6)		217	166		0.19
Litigation, regulatory and other legal matters (7)		65	49		0.06
Pension mark-to-market adjustment (8)		(19)	(15)		(0.02)
Loss on investments (9)		8	6		0.01
Contingent consideration (11)		(32)	(25)		(0.03)
Gain on sale of business (12)		(53)	(41)		(0.05)
Core performance measures	\$ 11,172	\$ 1,827	\$ 1,392	20.5%	\$ 1.62

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

(b) The calculation of the ETR excludes net income attributable to NCI.

See “Items Excluded from GAAP Measures” for the descriptions of the footnoted reconciling items.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP MEASURES
Three Months Ended September 30, 2023 and 2022
(Unaudited; in millions)

	Three months ended September 30, 2023					
	Gross margin	Gross margin %	Selling, general and administrative expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 1,004	31.6%	\$ 468	\$ 270	\$ 236	7.4%
Constant-currency adjustment (1)	212		3		209	
Acquisition-related costs (4)				(1)	31	
Restructuring, impairment and other charges and credits (6)	63		(2)	(7)	72	
Litigation, regulatory and other legal matters (7)			(35)		35	
Pension mark-to-market adjustment (8)			4	2	(6)	
Core performance measures	\$ 1,279	37.0%	\$ 438	\$ 264	\$ 577	16.7%

	Three months ended September 30, 2022					
	Gross margin	Gross margin %	Selling, general and administrative expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 1,062	30.4%	\$ 461	\$ 278	\$ 292	8.4%
Constant-currency adjustment (1)	138		3		135	
Acquisition-related costs (4)			2	(1)	30	
Restructuring, impairment and other charges and credits (6)	125		(13)		138	
Litigation, regulatory and other legal matters (7)			(32)		32	
Pension mark-to-market adjustment (8)			7	2	(9)	
Core performance measures	\$ 1,325	36.1%	\$ 428	\$ 279	\$ 618	16.9%

See “Items Excluded from GAAP Measures” for the descriptions of the footnoted reconciling items.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP MEASURES
Nine Months Ended September 30, 2023 and 2022
(Unaudited; in millions)

	Nine months ended September 30, 2023					
	Gross margin	Gross margin %	Selling, general and administrative expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 3,020	31.5%	\$ 1,329	\$ 787	\$ 812	8.5%
Constant-currency adjustment (1)	537		8		529	
Acquisition-related costs (4)			2	(1)	91	
Restructuring, impairment and other charges and credits (6)	196		(24)	(19)	239	
Litigation, regulatory and other legal matters (7)	(6)		(53)		47	
Pension mark-to-market adjustment (8)			(10)	(1)	11	
Gain on sale of assets (10)	(20)				(20)	
Core performance measures	\$ 3,727	36.2%	\$ 1,252	\$ 766	\$ 1,709	16.6%

	Nine months ended September 30, 2022					
	Gross margin	Gross margin %	Selling, general and administrative expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 3,591	33.3%	\$ 1,381	\$ 766	\$ 1,352	12.5%
Constant-currency adjustment (1)	321		4		317	
Acquisition-related costs (4)			3	(1)	90	
Restructuring, impairment and other charges and credits (6)	193		(24)		217	
Litigation, regulatory and other legal matters (7)			(74)		74	
Pension mark-to-market adjustment (8)			33	8	(41)	
Contingent consideration (11)			26		(26)	
Core performance measures	\$ 4,105	36.7%	\$ 1,349	\$ 773	\$ 1,983	17.7%

See "Items Excluded from GAAP Measures" for the descriptions of the footnoted reconciling items.

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
RECONCILIATION OF NON-GAAP MEASURES
Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited; in millions)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cash flows from operating activities	\$ 722	\$ 706	\$ 1,292	\$ 1,998
Realized gains on translated earnings contracts and other	93	77	270	209
Translation losses on cash balances	(8)	(63)	(58)	(140)
Adjusted cash flows from operating activities	\$ 807	\$ 720	\$ 1,504	\$ 2,067
Less: Capital expenditures	\$ 341	\$ 465	\$ 1,111	\$ 1,201
Free cash flow	\$ 466	\$ 255	\$ 393	\$ 866

Items Excluded from GAAP Measures

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

- (1) Constant-currency adjustment: As a significant portion of revenues and expenses are denominated in currencies other than the U.S. dollar, management believes it is important to understand the impact on sales and net income of translating these currencies into U.S. dollars. The Company utilizes constant-currency reporting for the Display Technologies, Specialty Materials, Environmental Technologies and Life Sciences segments for the Japanese yen, South Korean won, Chinese yuan, New Taiwan dollar and euro, as applicable to the segment. We establish constant-currency rates based on internally derived management estimates, which are closely aligned with the currencies we have hedged.

We believe that the use of constant-currency reporting allows management to understand our results without the volatility of currency fluctuation, analyze underlying trends in the businesses and establish operational goals and forecasts. Further, we believe it 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.

Constant currency rates used 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 of Japanese yen-denominated debt: Amount reflects the gain or loss on the translation of our yen-denominated debt to U.S. dollars.
- (3) Translated earnings contract: Amount reflects the impact of the realized and unrealized gains and losses from 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 our British pound-denominated foreign currency hedges related to translated earnings.
- (4) Acquisition-related costs: Amount reflects intangible amortization, inventory valuation adjustments and external acquisition-related deal costs, as well as other transaction related costs.
- (5) Discrete tax items and other tax-related adjustments: Amount reflects certain discrete period tax items such as changes in tax law, the impact of tax audits, changes in tax reserves and changes in deferred tax asset valuation allowances, as well as other tax-related adjustments.
- (6) Restructuring, impairment and other charges and credits: Amount reflects certain restructuring, impairment losses and other charges and credits, as well as other expenses, including accelerated depreciation, asset write-offs and facility repairs resulting from power outages, which are not related to ongoing operations. The activity during 2023 primarily relates to severance charges and asset write-offs. The activity during the third quarter of 2022 primarily relates to capacity optimization of an emerging growth business.
- (7) Litigation, regulatory and other legal matters: Amount reflects developments in commercial litigation, intellectual property disputes, adjustments to our estimated liability for environmental-related items and other legal matters.
- (8) Pension mark-to-market adjustment: Amount primarily reflects 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.
- (9) (Gain) loss on investments: Amount primarily reflects the gain or loss recognized on investment due to mark-to-market adjustments for the change in fair value or the disposition of the investment.
- (10) Gain on sale of assets: Amount represents the gain recognized for the sale assets.
- (11) Contingent consideration: Amount reflects the fair value mark-to-market cost adjustment of contingent consideration resulting from the Hemlock Semiconductor Group transaction on September 9, 2020.
- (12) Gain on sale of business: Amount represents the gain recognized for the sale of a business.