

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,	
	2020	2019	2020	2019
Net sales	\$ 3,001	\$ 2,934	\$ 7,953	\$ 8,686
Cost of sales	2,000	1,917	5,635	5,505
Gross margin	1,001	1,017	2,318	3,181
Operating expenses:				
Selling, general and administrative expenses	480	369	1,276	1,184
Research, development and engineering expenses	231	255	922	753
Amortization of purchased intangibles	33	28	87	85
Operating income	257	365	33	1,159
Equity in (losses) earnings of affiliated companies	(76)	23	17	81
Interest income	3	4	12	16
Interest expense	(70)	(55)	(201)	(161)
Translated earnings contract (loss) gain, net	(100)	86	5	163
Transaction-related gain, net	498		498	
Other expense, net	(62)	(15)	(71)	(59)
Income before income taxes	450	408	293	1,199
Provision for income taxes	(23)	(71)	(33)	(271)
Net income attributable to Corning Incorporated	\$ 427	\$ 337	\$ 260	\$ 928
Earnings per common share attributable to Corning Incorporated:				
Basic	\$ 0.53	\$ 0.40	\$ 0.25	\$ 1.10
Diluted	\$ 0.48	\$ 0.38	\$ 0.24	\$ 1.03

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

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

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,514	\$ 2,434
Trade accounts receivable, net of doubtful accounts and allowances	2,099	1,836
Inventories, net of inventory reserves	2,581	2,320
Other current assets	864	873
Total current assets	8,058	7,463
Investments	354	334
Property, plant and equipment, net of accumulated depreciation	15,449	15,337
Goodwill, net	2,427	1,935
Other intangible assets, net	1,332	1,185
Deferred income taxes	1,173	1,157
Other assets	1,474	1,487
Total Assets	\$ 30,267	\$ 28,898
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 256	\$ 11
Accounts payable	1,176	1,587
Other accrued liabilities	2,417	1,923
Total current liabilities	3,849	3,521
Long-term debt	7,822	7,729
Postretirement benefits other than pensions	667	671
Other liabilities	5,072	3,980
Total liabilities	17,410	15,901
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: 1,722 million and 1,718 million	861	859
Additional paid-in capital – common stock	14,494	14,323
Retained earnings	16,065	16,408
Treasury stock, at cost; Shares held: 961 million and 956 million	(19,926)	(19,812)
Accumulated other comprehensive loss	(1,134)	(1,171)
Total Corning Incorporated shareholders' equity	12,660	12,907
Noncontrolling interests	197	90
Total equity	12,857	12,997
Total Liabilities and Equity	\$ 30,267	\$ 28,898

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Cash Flows from Operating Activities:				
Net income	\$ 427	\$ 337	\$ 260	\$ 928
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	361	368	1,041	1,026
Amortization of purchased intangibles	33	28	87	85
Loss on disposal of assets	32	33	107	45
Severance charges	6	18	141	25
Severance payments	(29)	(2)	(126)	(7)
Share-based compensation expense	62	13	127	43
Equity in losses (earnings) of affiliated companies	76	(23)	(17)	(81)
Deferred tax provision (benefit)	34	(51)	(96)	(85)
Retirement plan contributions and benefit payments (in excess of) less than expense	(53)	14	(57)	42
Customer deposits and incentives	59		184	2
Translated earnings contract loss (gain)	100	(86)	(5)	(163)
Unrealized translation (gains) losses on transactions	(65)	53	(54)	87
Tax assessment refunds			101	
Asset impairment	22		217	
Transaction-related gain, net	(498)		(498)	
Changes in certain working capital items:				
Trade accounts receivable	(308)	32	(281)	(169)
Inventories	187	(81)	240	(338)
Other current assets	(39)	(56)	(19)	(220)
Accounts payable and other current liabilities	96	277	(139)	(88)
Other, net	105	15	193	(119)
Net cash provided by operating activities	<u>608</u>	<u>889</u>	<u>1,406</u>	<u>1,013</u>
Cash Flows from Investing Activities:				
Capital expenditures	(153)	(508)	(986)	(1,602)
Proceeds from sale or disposal of assets			27	
Sale of equipment to related party		62		62
Realized (losses) gains on translated earnings contracts	(2)	1	10	39
Other, net	7	(55)	17	(33)
Net cash used in investing activities	<u>(148)</u>	<u>(500)</u>	<u>(932)</u>	<u>(1,534)</u>
Cash Flows from Financing Activities:				
Proceeds from issuance of long-term debt, net	3	349	212	349
Repayments of commercial paper, net		(446)		
Proceeds from the exercise of stock options	36	7	49	43
Repurchases of common stock for treasury		(301)	(105)	(708)
Dividends paid	(204)	(192)	(587)	(554)
Other, net	22	12	16	37
Net cash used in financing activities	<u>(143)</u>	<u>(571)</u>	<u>(415)</u>	<u>(833)</u>
Effect of exchange rates on cash	39	(25)	21	(30)
Net increase (decrease) in cash and cash equivalents	356	(207)	80	(1,384)
Cash and cash equivalents at beginning of period	2,158	1,178	2,434	2,355
Cash and cash equivalents at end of period	<u>\$ 2,514</u>	<u>\$ 971</u>	<u>\$ 2,514</u>	<u>\$ 971</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,	
	2020	2019	2020	2019
Net income attributable to Corning Incorporated	\$ 427	\$ 337	\$ 260	\$ 928
Less: Series A convertible preferred stock dividend	24	24	73	73
Net income available to common stockholders – basic	403	313	187	855
Add: Series A convertible preferred stock dividend	24	24		73
Net income available to common stockholders – diluted	\$ 427	\$ 337	\$ 187	\$ 928
Weighted-average common shares outstanding - basic	760	775	760	780
Effect of dilutive securities:				
Stock options and other dilutive securities	14	7	8	8
Series A convertible preferred stock	115	115		115
Weighted-average common shares outstanding - diluted	889	897	768	903
Basic earnings per common share	\$ 0.53	\$ 0.40	\$ 0.25	\$ 1.10
Diluted earnings per common share	\$ 0.48	\$ 0.38	\$ 0.24	\$ 1.03

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,	
	2020	2019	2020	2019
Core net income attributable to Corning Incorporated	\$ 380	\$ 397	\$ 775	\$ 1,172
Less: Series A convertible preferred stock dividend	24	24	73	73
Core net income available to common stockholders - basic	356	373	702	1,099
Add: Series A convertible preferred stock dividend	24	24	73	73
Core net income available to common stockholders - diluted	\$ 380	\$ 397	\$ 775	\$ 1,172
Weighted-average common shares outstanding - basic	760	775	760	780
Effect of dilutive securities:				
Stock options and other dilutive securities	14	7	8	8
Series A convertible preferred stock	115	115	115	115
Weighted-average common shares outstanding - diluted	889	897	883	903
Core basic earnings per common share	\$ 0.47	\$ 0.48	\$ 0.92	\$ 1.41
Core diluted earnings per common share	\$ 0.43	\$ 0.44	\$ 0.88	\$ 1.30

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 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 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 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 September 30, 2020 and 2019
(Unaudited; amounts in millions, except per share amounts)

	Three months ended September 30, 2020					
	Net sales	Equity (losses) earnings	Income before taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 3,001	\$ (76)	\$ 450	\$ 427	5.1%	\$ 0.48
Constant-currency adjustment (1)	6			(14)		(0.02)
Translation loss on Japanese yen-denominated debt (2)			39	31		0.03
Translated earnings contract loss (3)			99	77		0.09
Acquisition-related costs (4)			47	37		0.04
Discrete tax items and other tax-related adjustments (5)				(58)		(0.07)
Litigation, regulatory and other legal matters (6)			83	72		0.08
Restructuring, impairment and other charges and credits (7)			171	129		0.15
Equity in losses of affiliated companies (9)		85	85	66		0.07
Transaction-related gain, net (11)			(498)	(387)		(0.44)
Core performance measures	\$ 3,007	\$ 9	\$ 476	\$ 380	20.2%	\$ 0.43

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

	Three months ended September 30, 2019					
	Net sales	Equity earnings	Income before taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 2,934	\$ 23	\$ 408	\$ 337	17.4%	\$ 0.38
Constant-currency adjustment (1)	35		20	63		0.07
Translation gain on Japanese yen-denominated debt (2)			(11)	(8)		(0.01)
Translated earnings contract gain (3)			(84)	(65)		(0.07)
Acquisition-related costs (4)			31	22		0.02
Discrete tax items and other tax-related adjustments (5)				(51)		(0.06)
Litigation, regulatory and other legal matters (6)			(24)	(19)		(0.02)
Restructuring, impairment and other charges and credits (7)			148	118		0.13
Core performance measures	\$ 2,969	\$ 23	\$ 488	\$ 397	18.6%	\$ 0.44

(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, 2020 and 2019
(Unaudited; amounts in millions, except per share amounts)

	Nine months ended September 30, 2020					
	Net sales	Equity earnings	Income before taxes	Net income	Effective tax rate (a)	Per share
As reported – GAAP	\$ 7,953	\$ 17	\$ 293	\$ 260	11.3%	\$ 0.24
Constant-currency adjustment (1)	66		25	(33)		(0.04)
Translation loss on Japanese yen-denominated debt (2)			50	39		0.05
Translated earnings contract loss (3)			6	5		0.01
Acquisition-related costs (4)			104	79		0.10
Discrete tax items and other tax-related adjustments (5)				19		0.02
Litigation, regulatory and other legal matters (6)			108	92		0.12
Restructuring, impairment and other charges and credits (7)			733	549		0.71
Cumulative adjustment related to customer contract (8)	105		105	105		0.14
Equity in losses of affiliated companies (9)		61	61	48		0.06
Pension mark-to-market adjustment (10)			(2)	(1)		(0.00)
Transaction-related gain, net (11)			(498)	(387)		(0.50)
Core performance measures	\$ 8,124	\$ 78	\$ 985	\$ 775	21.3%	\$ 0.88

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

	Nine months ended September 30, 2019					
	Net sales	Equity earnings	Income before taxes	Net income	Effective tax rate (a)	Per share
As reported - GAAP	\$ 8,686	\$ 81	\$ 1,199	\$ 928	22.6%	\$ 1.03
Constant-currency adjustment (1)	119	1	93	137		0.15
Translation loss on Japanese yen-denominated debt (2)			10	9		0.01
Translated earnings contract gain (3)			(161)	(125)		(0.14)
Acquisition-related costs (4)			102	76		0.08
Discrete tax items and other tax-related adjustments (5)				(20)		(0.02)
Litigation, regulatory and other legal matters (6)			(24)	(19)		(0.02)
Restructuring, impairment and other charges and credits (7)		6	222	176		0.19
Equity in earnings of affiliated companies (9)		(11)	(11)	(9)		(0.01)
Pension mark-to-market adjustment (10)			24	19		0.02
Core performance measures	\$ 8,805	\$ 77	\$ 1,454	\$ 1,172	19.4%	\$ 1.30

(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, 2020 and 2019
(Unaudited; amounts in millions)

	Three months ended September 30, 2020					
	Gross margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 1,001	33.4%	\$ 480	\$ 231	\$ 290	9.7%
Translated earnings contract gain (3)	(2)				(2)	
Acquisition-related costs (4)	7		(7)	(1)	15	
Litigation, regulatory and other legal matters (6)			(83)		83	
Restructuring, impairment and other charges and credits (7)	124		(21)	(18)	163	
Core performance measures	\$ 1,130	37.6%	\$ 369	\$ 212	\$ 549	18.3%

	Three months ended September 30, 2019					
	Gross margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 1,017	34.7%	\$ 369	\$ 255	\$ 393	13.4%
Constant-currency adjustment (1)	21		(1)		22	
Acquisition-related costs (4)	1				1	
Litigation, regulatory and other legal matters (6)			24		(24)	
Restructuring, impairment and other charges and credits (7)	117		(11)	(16)	144	
Core performance measures	\$ 1,156	38.9%	\$ 381	\$ 239	\$ 536	18.1%

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 June 30, 2020
(Unaudited; amounts in millions)

	Three months ended June 30, 2020					
	Gross margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 756	29.5%	\$ 401	\$ 430	\$ (75)	(2.9%)
Constant-currency adjustment (1)	7		2		5	
Translated earnings contract loss (3)	2				2	
Litigation, regulatory and other legal matters (6)			(25)		25	
Restructuring, impairment and other charges and credits (7)	98		(22)	(212)	332	
Core performance measures	\$ 863	33.3%	\$ 356	\$ 218	\$ 289	11.2%

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, 2020 and 2019
(Unaudited; amounts in millions)

	Nine months ended September 30, 2020					
	Gross margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 2,318	29.1%	\$ 1,276	\$ 922	\$ 120	1.5%
Constant-currency adjustment (1)	28		3		25	
Translated earnings contract gain (3)	(4)				(4)	
Acquisition-related costs (4)	7		(8)	(1)	16	
Litigation, regulatory and other legal matters (6)			(108)		108	
Restructuring, impairment and other charges and credits (7)	383		(91)	(243)	717	
Cumulative adjustment related to customer contract (8)	105				105	
Core performance measures	\$ 2,837	34.9%	\$ 1,072	\$ 678	\$ 1,087	13.4%

	Nine months ended September 30, 2019					
	Gross margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 3,181	36.6%	\$ 1,184	\$ 753	\$ 1,244	14.3%
Constant-currency adjustment (1)	94		2		92	
Acquisition-related costs (4)	6		(9)	(1)	16	
Litigation, regulatory and other legal matters (6)			26		(26)	
Restructuring, impairment and other charges and credits (7)	212		(17)	(16)	245	
Core performance measures	\$ 3,493	39.7%	\$ 1,186	\$ 736	\$ 1,571	17.8%

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 Nine Months Ended September 30, 2020 and 2019
(Unaudited; amounts in millions)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Cash flows from operating activities	\$ 608	\$ 889	\$ 1,406	\$ 1,013
Realized (losses) gains on translated earnings contracts	(2)	1	10	39
Premiums received from options contracts				11
Translation gains (losses) on cash balances	65	(53)	54	(87)
Other Adjustments		26		26
Adjusted cash flows from operating activities	\$ 671	\$ 863	\$ 1,470	\$ 1,002
Less: Capital expenditures	\$ 153	\$ 508	\$ 986	\$ 1,602
Free cash flow	\$ 518	\$ 355	\$ 484	\$ (600)

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. 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 impacted by the euro, Chinese yuan and Japanese yen. 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 loss (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 loss (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 and external acquisition-related deal costs.
- (5) Discrete tax items and other tax-related adjustments: These include discrete period tax items such as NOL carryback benefit as allowed under CARES Act, changes in tax law, the impact of tax audits, changes in judgement about the realizability of certain deferred tax assets and other tax-related adjustments.
- (6) 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.
- (7) Restructuring, impairment and other charges and credits: This amount includes restructuring, impairment losses and other charges and credits, as well as other expenses, primarily accelerated depreciation and asset write-offs, which are not related to continuing operations and are not classified as restructuring expense.
- (8) Cumulative adjustment related to customer contract: The negative impact of a cumulative adjustment recorded during the first quarter of 2020 to reduce revenue in the amount of \$105 million. The adjustment was associated with a previously recorded commercial benefit asset, reflected as a prepayment, to a customer with a long-term supply agreement that is exiting its production of LCD panels.
- (9) Equity in losses (earnings) of affiliated companies: These adjustments relate to costs not related to continuing operations of affiliated companies, such as restructuring, impairment losses, inventory adjustments, other charges and credits and settlements under "take-or-pay" contracts, including Corning's share of HSG's settlement of its pre-existing relationship of its long-term supply contract related to the HSG's acquisition of TCS.
- (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) Transaction-related gain, net: Amount represents the pre-tax gain recorded on the previously held equity investment in HSG.