

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

	Three months ended	
	March 31,	
	2023	2022
Net sales	\$ 3,178	\$ 3,680
Cost of sales	<u>2,175</u>	<u>2,397</u>
Gross margin	1,003	1,283
Operating expenses:		
Selling, general and administrative expenses	421	434
Research, development and engineering expenses	254	248
Amortization of purchased intangibles	<u>31</u>	<u>31</u>
Operating income	297	570
Interest income	7	3
Interest expense	(76)	(71)
Translated earnings contract (loss) gain, net	(8)	129
Other income, net	<u>8</u>	<u>152</u>
Income before income taxes	228	783
Provision for income taxes	<u>(37)</u>	<u>(180)</u>
Net income	\$ 191	\$ 603
Net income attributable to non-controlling interest	<u>(15)</u>	<u>(22)</u>
Net income attributable to Corning Incorporated	<u>\$ 176</u>	<u>\$ 581</u>
Earnings per common share available to common shareholders:		
Basic	<u>\$ 0.21</u>	<u>\$ 0.69</u>
Diluted	<u>\$ 0.20</u>	<u>\$ 0.68</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

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

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,146	\$ 1,671
Trade accounts receivable, net of doubtful accounts	1,688	1,721
Inventories	2,863	2,904
Other current assets	1,180	1,157
Total current assets	6,877	7,453
Property, plant and equipment, net of accumulated depreciation	15,137	15,371
Goodwill, net	2,394	2,394
Other intangible assets, net	1,002	1,029
Deferred income taxes	1,106	1,073
Other assets	2,306	2,179
Total Assets	\$ 28,822	\$ 29,499
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 197	\$ 224
Accounts payable	1,662	1,804
Other accrued liabilities	2,914	3,147
Total current liabilities	4,773	5,175
Long-term debt	6,654	6,687
Postretirement benefits other than pensions	405	407
Other liabilities	4,783	4,955
Total liabilities	16,615	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	911	910
Additional paid-in capital – common stock	16,746	16,682
Retained earnings	16,713	16,778
Treasury stock, at cost; Shares held: 977 million and 977 million	(20,548)	(20,532)
Accumulated other comprehensive loss	(1,897)	(1,830)
Total Corning Incorporated shareholders' equity	11,925	12,008
Non-controlling interest	282	267
Total equity	12,207	12,275
Total Liabilities and Equity	\$ 28,822	\$ 29,499

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

	Three months ended	
	March 31	
	2023	2022
Cash Flows from Operating Activities:		
Net income	\$ 191	\$ 603
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	310	342
Amortization of purchased intangibles	31	31
Gain on sale of business		(53)
Share-based compensation expense	52	42
Translation gain on Japanese yen-denominated debt	(18)	(84)
Deferred tax (benefit) provision	(38)	24
Translated earnings contract loss (gain)	8	(129)
Unrealized translation loss on transactions	33	20
Changes in assets and liabilities:		
Trade accounts receivable	(28)	7
Inventories	17	(159)
Other current assets	(62)	(81)
Accounts payable and other current liabilities	(369)	77
Customer deposits and government incentives	(17)	(9)
Deferred income	(6)	(25)
Other, net	(153)	(72)
Net cash (used in) provided by operating activities	<u>(49)</u>	<u>534</u>
Cash Flows from Investing Activities:		
Capital expenditures	(382)	(383)
Proceeds from sale of equipment to related party	67	
Proceeds from sale of business		74
Realized gains on translated earnings contracts	81	40
Other, net	6	(9)
Net cash used in investing activities	<u>(228)</u>	<u>(278)</u>
Cash Flows from Financing Activities:		
Repayments of short-term borrowings	(69)	(11)
Proceeds from other financing arrangements	54	
Proceeds from exercise of stock options	16	18
Purchases of common stock for treasury		(149)
Dividends paid	(239)	(228)
Other, net	(10)	(5)
Net cash used in financing activities	<u>(248)</u>	<u>(375)</u>
Effect of exchange rates on cash		(13)
Net decrease in cash and cash equivalents	(525)	(132)
Cash and cash equivalents at beginning of period	1,671	2,148
Cash and cash equivalents at end of period	<u>\$ 1,146</u>	<u>\$ 2,016</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 March 31,	
	2023	2022
Net income attributable to Corning Incorporated	\$ 176	\$ 581
Weighted-average common shares outstanding - basic	844	843
Effect of dilutive securities:		
Stock options and other dilutive securities	15	16
Weighted-average common shares outstanding - diluted	859	859
Basic earnings per common share	\$ 0.21	\$ 0.69
Diluted earnings per common share	\$ 0.20	\$ 0.68

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,	
	2023	2022
Core net income	\$ 350	\$ 465
Weighted-average common shares outstanding - basic	844	843
Effect of dilutive securities:		
Stock options and other dilutive securities	15	16
Weighted-average common shares outstanding - diluted	859	859
Core basic earnings per common share	\$ 0.41	\$ 0.55
Core diluted earnings per common share	\$ 0.41	\$ 0.54

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 March 31, 2023 and 2022
(Unaudited; in millions, except per share amounts)

	Three months ended March 31, 2023				
	Net sales	Income before income taxes	Net income attributable to Corning Incorporated	Effective tax rate (a)(b)	Per share
As reported – GAAP	\$ 3,178	\$ 228	\$ 176	16.2%	\$ 0.20
Constant-currency adjustment (1)	189	149	114		0.13
Translation gain on Japanese yen-denominated debt (2)		(18)	(14)		(0.02)
Translated earnings contract loss (3)		8	6		0.01
Acquisition-related costs (4)		34	20		0.02
Discrete tax items and other tax-related adjustments (5)			(2)		(0.00)
Restructuring, impairment and other charges and credits (6)		66	53		0.06
Pension mark-to-market adjustment (7)		10	8		0.01
Loss on investments (8)		4	4		0.00
Gain on sale of assets (9)		(20)	(15)		(0.02)
Core performance measures	\$ 3,367	\$ 461	\$ 350	19.4%	\$ 0.41

(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 March 31, 2022				
	Net sales	Income before income taxes	Net income attributable to Corning Incorporated	Effective tax rate (a)(b)	Per share
As reported - GAAP	\$ 3,680	\$ 783	\$ 581	23.0%	\$ 0.68
Constant-currency adjustment (1)	64	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
Restructuring, impairment and other charges and credits (6)		33	24		0.03
Pension mark-to-market adjustment (7)		(10)	(8)		(0.01)
Gain on sale of business (10)		(53)	(41)		(0.05)
Contingent consideration (11)		(26)	(20)		(0.02)
Core performance measures	\$ 3,744	\$ 616	\$ 465	21.0%	\$ 0.54

(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 March 31, 2023 and 2022
(Unaudited; in millions)

	Three months ended March 31, 2023					
	Gross margin	Gross margin %	Selling, general and administrative expenses	Research, development and engineering expenses	Operating margin	Operating margin %
As reported - GAAP	\$ 1,003	31.6%	\$ 421	\$ 254	\$ 297	9.3%
Constant-currency adjustment (1)	149		2		147	
Acquisition-related costs (4)			1		30	
Restructuring, impairment and other charges and credits (6)	54		(5)		59	
Pension mark-to-market adjustment (7)			(8)	(2)	10	
Gain on sale of assets (9)	(20)				(20)	
Core performance measures	\$ 1,186	35.2%	\$ 411	\$ 252	\$ 523	15.5%

	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	
Restructuring, impairment and other charges and credits (6)	25		(8)		33	
Pension mark-to-market adjustment (7)			8	2	(10)	
Contingent consideration (11)			26		(26)	
Core performance measures	\$ 1,370	36.6%	\$ 461	250	\$ 659	17.6%

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 March 31, 2023 and 2022
(Unaudited; in millions)

	Three months ended	
	March 31,	
	2023	2022
Cash flows from operating activities	\$ (49)	\$ 534
Realized gains on translated earnings contracts	81	40
Translation losses on cash balances	(33)	(20)
Adjusted cash flows from operating activities	\$ (1)	\$ 554
Less: Capital expenditures	\$ 382	\$ 383
Free cash flow	\$ (383)	\$ 171

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, Korean won, Chinese yuan, New Taiwan dollar and euro, as applicable to the segment.

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, primarily accelerated depreciation, asset write-offs and facility repairs resulting from power outages, which are not related to ongoing operations.
- (7) 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.
- (8) Loss on investments: Amount primarily reflects the gain or loss recognized on investment due to mark-to-mark adjustments for the change in fair value or the disposition of the investment.
- (9) Gain on sale of assets: Amount represents the gain recognized for the sale assets.
- (10) Gain on sale of business: Amount represents the gain recognized for the sale of a business.
- (11) Contingent consideration: Amount reflects the fair value mark-to-market cost adjustment of contingent consideration resulting from the Hemlock transaction on September 9, 2020.