

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net sales	\$ 2,817	\$ 3,035	\$ 11,503	\$ 11,290
Cost of sales	<u>1,963</u>	<u>1,833</u>	<u>7,468</u>	<u>6,829</u>
Gross margin	854	1,202	4,035	4,461
Operating expenses:				
Selling, general and administrative expenses	401	447	1,585	1,799
Research, development and engineering expenses	278	265	1,031	993
Amortization of purchased intangibles	<u>28</u>	<u>26</u>	<u>113</u>	<u>94</u>
Operating income	147	464	1,306	1,575
Equity in (losses) earnings of affiliated companies	(64)	288	17	390
Interest income	5	9	21	38
Interest expense	(60)	(51)	(221)	(191)
Translated earnings contract gain (loss), net	85	(159)	248	(93)
Other expense, net	<u>(96)</u>	<u>(205)</u>	<u>(155)</u>	<u>(216)</u>
Income before income taxes	17	346	1,216	1,503
Benefit (provision) for income taxes	<u>15</u>	<u>(54)</u>	<u>(256)</u>	<u>(437)</u>
Net income attributable to Corning Incorporated	<u>\$ 32</u>	<u>\$ 292</u>	<u>\$ 960</u>	<u>\$ 1,066</u>
Earnings per common share attributable to Corning Incorporated:				
Basic	<u>\$ 0.01</u>	<u>\$ 0.34</u>	<u>\$ 1.11</u>	<u>\$ 1.19</u>
Diluted	<u>\$ 0.01</u>	<u>\$ 0.32</u>	<u>\$ 1.07</u>	<u>\$ 1.13</u>

CORNING INCORPORATED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

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

	December 31,	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,434	\$ 2,355
Trade accounts receivable, net of doubtful accounts and allowances	1,836	1,940
Inventories, net of inventory reserves	2,320	2,037
Other current assets	873	702
Total current assets	7,463	7,034
Investments	334	376
Property, plant and equipment, net of accumulated depreciation	15,337	14,895
Goodwill, net	1,935	1,936
Other intangible assets, net	1,185	1,292
Deferred income taxes	1,157	951
Other assets	1,487	1,021
Total Assets	\$ 28,898	\$ 27,505
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 11	\$ 4
Accounts payable	1,587	1,456
Other accrued liabilities	1,923	1,851
Total current liabilities	3,521	3,311
Long-term debt	7,729	5,994
Postretirement benefits other than pensions	671	662
Other liabilities	3,980	3,652
Total liabilities	15,901	13,619
Commitments and contingencies		
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: 1,718 million and 1,713 million	859	857
Additional paid-in capital – common stock	14,323	14,212
Retained earnings	16,408	16,303
Treasury stock, at cost; shares held: 956 million and 925 million	(19,812)	(18,870)
Accumulated other comprehensive loss	(1,171)	(1,010)
Total Corning Incorporated shareholders' equity	12,907	13,792
Noncontrolling interests	90	94
Total equity	12,997	13,886
Total Liabilities and Equity	\$ 28,898	\$ 27,505

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Cash Flows from Operating Activities:				
Net income	\$ 32	\$ 292	\$ 960	\$ 1,066
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	364	304	1,390	1,199
Amortization of purchased intangibles	28	26	113	94
Loss on retirement of assets	46	14	137	35
Stock compensation charges	13	12	56	51
Equity in losses (earnings) of affiliated companies	64	(288)	(17)	(390)
Dividends received from affiliated companies	106	135	106	241
Deferred tax benefit	(106)	(91)	(191)	(38)
Customer incentives and deposits, net	140	9	142	700
Employee benefit payments less than (in excess of) expense	36	(104)	78	(88)
Translated earnings contract (gain) loss, net	(85)	159	(248)	93
Unrealized translation (gains) losses on transactions	(53)	3	33	55
Changes in certain working capital items:				
Trade accounts receivable	217	43	48	(154)
Inventories	40	(111)	(298)	(346)
Other current assets	(80)	16	(300)	(20)
Accounts payable and other current liabilities	106	264	36	358
Other, net	150	256	(14)	63
Net cash provided by operating activities	<u>1,018</u>	<u>939</u>	<u>2,031</u>	<u>2,919</u>
Cash Flows from Investing Activities:				
Capital expenditures	(376)	(613)	(1,978)	(2,242)
Acquisition of business, net of cash received		(38)		(842)
Proceeds from settlement of initial contingent consideration asset				196
Purchase of equipment from related party		(5)	(9)	(68)
Sale of equipment to related party	16	19	78	19
Realized gains on translated earnings contracts	16	46	66	108
Other, net	(13)	(30)	(48)	(58)
Net cash used in investing activities	<u>(357)</u>	<u>(621)</u>	<u>(1,891)</u>	<u>(2,887)</u>
Cash Flows from Financing Activities:				
Net repayments of short-term borrowings and current portion of long-term debt	(300)	(254)	(300)	(629)
Proceeds from issuance of long-term debt, net	1,482	889	1,831	1,485
Proceeds from exercise of stock options	15	7	58	81
Repurchases of common stock for treasury	(232)	(347)	(940)	(2,227)
Dividends paid	(188)	(168)	(742)	(685)
Other, net	9	(6)	46	(20)
Net cash provided by (used in) financing activities	<u>786</u>	<u>121</u>	<u>(47)</u>	<u>(1,995)</u>
Effect of exchange rates on cash	16	11	(14)	1
Net increase (decrease) in cash and cash equivalents	1,463	450	79	(1,962)
Cash and cash equivalents at beginning of year	971	1,905	2,355	4,317
Cash and cash equivalents at end of year	<u>\$ 2,434</u>	<u>\$ 2,355</u>	<u>\$ 2,434</u>	<u>\$ 2,355</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		Year ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Net income attributable to Corning Incorporated	\$ 32	\$ 292	\$ 960	\$ 1,066
Less: Series A convertible preferred stock dividend	24	24	98	98
Net income available to common stockholders – basic	8	268	862	968
Add: Series A convertible preferred stock dividend		24	98	98
Net income available to common stockholders - diluted	\$ 8	\$ 292	\$ 960	\$ 1,066
Weighted-average common shares outstanding - basic	764	795	776	816
Effect of dilutive securities:				
Stock options and other dilutive securities	7	9	8	10
Series A convertible preferred stock		115	115	115
Weighted-average common shares outstanding - diluted	771	919	899	941
Basic earnings per common share	\$ 0.01	\$ 0.34	\$ 1.11	\$ 1.19
Diluted earnings per common share	\$ 0.01	\$ 0.32	\$ 1.07	\$ 1.13

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		Year ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Core net income attributable to Corning Incorporated	\$ 406	\$ 539	\$ 1,578	\$ 1,673
Less: Series A convertible preferred stock dividend	24	24	98	98
Core net income available to common stockholders - basic	382	515	1,480	1,575
Add: Series A convertible preferred stock dividend	24	24	98	98
Core net income available to common stockholders - diluted	\$ 406	\$ 539	\$ 1,578	\$ 1,673
Weighted-average common shares outstanding - basic	764	795	776	816
Effect of dilutive securities:				
Stock options and other dilutive securities	7	9	8	10
Series A convertible preferred stock	115	115	115	115
Weighted-average common shares outstanding - diluted	886	919	899	941
Core basic earnings per common share	\$ 0.50	\$ 0.65	\$ 1.91	\$ 1.93
Core diluted earnings per common share	\$ 0.46	\$ 0.59	\$ 1.76	\$ 1.78

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, 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. Corning utilizes 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. Effective January 1, 2019, Corning also began using constant-currency reporting for our Environmental Technologies and Life Sciences segments for the euro, Japanese yen and Chinese yuan. 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.

Effective July 1, 2019, we have replaced the term “Core Earnings” with “Core Net Income”. The terms are interchangeable and the underlying calculations remain the same.

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 December 31, 2019
(Unaudited; amounts in millions, except per share amounts)

	Three months ended December 31, 2019					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	Per share
As reported	\$ 2,817	\$ (64)	\$ 17	\$ 32	(88.2%)	\$ 0.01
Constant-currency adjustment (1)	34		22	(22)		(0.03)
Translation gain on Japanese yen-denominated debt (2)			(7)	(7)		(0.01)
Translated earnings contract gain, net (3)			(84)	(65)		(0.08)
Acquisition-related costs (4)			28	23		0.03
Discrete tax items and other tax-related adjustments (5)				57		0.07
Litigation, regulatory and other legal matters (6)			7	6		0.01
Restructuring, impairment and other charges (7)			217	158		0.20
Equity in losses of affiliated companies (8)		224	224	174		0.23
Pension mark-to-market adjustment (9)			71	50		0.06
Core performance measures	\$ 2,851	\$ 160	\$ 495	\$ 406	18.0%	\$ 0.46

(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
Year Ended December 31, 2019
(Unaudited; amounts in millions, except per share amounts)

	Year ended December 31, 2019					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	Per share
As reported	\$ 11,503	\$ 17	\$ 1,216	\$ 960	21.1%	\$ 1.07
Constant-currency adjustment (1)	153	1	115	115		0.13
Translation loss on Japanese yen-denominated debt (2)			3	2		0.00
Translated earnings contract gain, net (3)			(245)	(190)		(0.21)
Acquisition-related costs (4)			130	99		0.11
Discrete tax items and other tax-related adjustments (5)				37		0.04
Litigation, regulatory and other legal matters (6)			(17)	(13)		(0.01)
Restructuring, impairment and other charges (7)		6	439	334		0.37
Equity in losses of affiliated companies (8)		213	213	165		0.18
Pension mark-to-market adjustment (9)			95	69		0.08
Core performance measures	\$ 11,656	\$ 237	\$ 1,949	\$ 1,578	19.0%	\$ 1.76

(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 December 31, 2018
(Unaudited; amounts in millions, except per share amounts)

	Three months ended December 31, 2018					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	Per share
As reported	\$ 3,035	\$ 288	\$ 346	\$ 292	15.6%	\$ 0.32
Constant-currency adjustment (1)	46	1	46	13		0.01
Translation loss on Japanese yen-denominated debt (2)			46	36		0.04
Translated earnings contract loss, net (3)			158	147		0.16
Acquisition-related costs (4)			37	29		0.03
Discrete tax items and other tax-related adjustments (5)				(24)		(0.03)
Litigation, regulatory and other legal matters (6)			(19)	(15)		(0.02)
Restructuring, impairment and other charges (7)			72	56		0.06
Equity in earnings of affiliated company (8)		(137)	(137)	(107)		(0.12)
Pension mark-to-market adjustment (9)			144	112		0.12
Core performance measures	\$ 3,081	\$ 152	\$ 693	\$ 539	22.2%	\$ 0.59

(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
Year Ended December 31, 2018
(Unaudited; amounts in millions, except per share amounts)

	Year ended December 31, 2018					
	Net sales	Equity earnings	Income before income taxes	Net income	Effective tax rate (a)	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 company (8)		(151)	(151)	(119)		(0.13)
Pension mark-to-market adjustment (9)			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.

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 and Year Ended December 31, 2019 and 2018
(Unaudited; amounts in millions)

	Three Months Ended December 31, 2019				Three Months Ended December 31, 2018			
	Gross Margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses	Gross Margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses
As reported	\$ 854	30%	\$ 401	\$ 278	\$ 1,202	40%	\$ 447	\$ 265
Constant-currency adjustment (1)	22		1		45			
Translated earnings contract gain, net (3)					(3)			
Acquisition-related costs (4)	2			(1)	4		(7)	(1)
Litigation, regulatory and other legal matters (6)			(8)				19	
Restructuring, impairment and other charges (7)	176		(11)	(14)	49		(11)	(6)
Pension mark-to-market adjustment (9)			(2)					
Core performance measures	\$ 1,054	37%	\$ 381	\$ 263	\$ 1,297	42%	\$ 448	\$ 258

	Year ended December 31, 2019				Year ended December 31, 2018			
	Gross Margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses	Gross Margin	Gross margin %	Selling, general and admin. expenses	Research, development and engineering expenses
As reported	\$ 4,035	35%	\$ 1,585	\$ 1,031	\$ 4,461	40%	\$ 1,799	\$ 993
Constant-currency adjustment (1)	116		3		149		(1)	
Translated earnings contract gain, net (3)					(6)			
Acquisition-related costs (4)	8		(9)	(2)	9		(28)	(3)
Litigation, regulatory and other legal matters (6)			18				(125)	
Restructuring, impairment and other charges (7)	388		(28)	(30)	97		(20)	(6)
Pension mark-to-market adjustment (9)			(2)					
Core performance measures	\$ 4,547	39%	\$ 1,567	\$ 999	\$ 4,710	41%	\$ 1,625	\$ 984

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 and Year Ended December 31, 2019 and 2018
(Unaudited; amounts in millions)

	Three months ended		Year ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cash flows from operating activities	\$ 1,018	\$ 939	\$ 2,031	\$ 2,919
Realized gains on translated earnings contracts	16	46	66	108
Translation gains (losses) on cash balances	53	(4)	(33)	(55)
Receipt of contingent consideration				196
Other adjustments	19		45	
Adjusted cash flows from operating activities	\$ 1,106	\$ 981	\$ 2,109	\$ 3,168

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. Beginning January 1, 2019, as our Environmental Technologies and Life Science segments sales and net income are impacted by the euro, Chinese yuan and Japanese yen, these segments will also be presented on a constant-currency basis. We have not recast the prior periods for these two segments as the impact of fluctuations in these currencies are not material for prior periods. 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. 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) 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 2019, these include discrete period tax items such as 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. 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.
- (6) Litigation, regulatory and other legal matters: Includes amounts that reflect developments in commercial litigation, intellectual property disputes, adjustments to our estimated liability for environmental-related items and other legal matters.
- (7) Restructuring, impairment and other charges and credits: This amount includes restructuring, impairment 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) Equity in (earnings) losses 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) 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.