



# 2020 Annual Shareholder Letter



# To Our Shareholders:

In 2020, the global pandemic and resulting steep economic recession, along with social unrest and political discord, created a torrent of disruption and uncertainty. Yet, as Corning has demonstrated time and again, it's during a crisis that the true character and resilience of our company and our people are revealed.

For 170 years, we have confronted whatever challenges have come our way – from wars and pandemics to natural disasters and economic crises. In every instance, we have persevered and emerged stronger. And 2020 was no different, as Corning successfully navigated an incredibly challenging year.

Throughout the challenges we faced, three priorities guided our response: protect and support our employees and communities, deliver for our customers, and keep our company strong and well positioned to create long-term value for our shareholders. I'm pleased to say we accomplished all three objectives in fine form.

Throughout the year, we demonstrated the importance of unity as we faced the health crisis head-on. From the earliest days of the pandemic, we acted swiftly to safeguard our people and facilities around the world, including implementing new protocols for workplace access, health checks, and contact tracing. We dedicated resources to support our employees and the communities where we operate, launching campaigns in partnership with local business leaders, medical professionals, and human services organizations to target multiple hardships people faced. Teams worked tirelessly to keep essential operations running smoothly and meet the needs of our customers. We invented new-to-the-world materials and manufacturing processes, while innovating solutions in partnership

with our customers. And we took decisive action to improve operational efficiencies and maintain Corning's financial strength.

I am grateful to our 50,000 employees for rising to the myriad challenges we confronted during the year. While we can't be certain how the recovery from the pandemic and resulting recession will ultimately play out, we are confident that our strong execution in 2020 and continued market leadership leave us well positioned to continue advancing important growth initiatives in the markets we serve.

### Life-Saving Innovations

We take pride in our company's long and distinguished record of deploying our core capabilities to enable life-changing innovations that improve people's lives. Amid COVID-19, we stepped up to play a critical role delivering life-saving innovations by applying our expertise, resources, and technologies to address the challenges of the pandemic. Let me offer some examples:

We deployed our Life Sciences capabilities to combat the virus by supplying technologies that helped our customers develop novel treatments, provide testing, and accelerate vaccine production. In June, we were tapped by the U.S. government to ramp up production of Corning Valor® Glass vials to support the race to vaccinate billions of people around the world against COVID-19. In addition to being the strongest and highest-quality pharmaceutical glass vials ever produced, Valor Glass enables faster filling and capping speeds that are especially beneficial during a pandemic, when every hour counts and every dose delivered makes a difference. We also expedited shipments of critical equipment and supplies to laboratories to support diagnostic testing and virus research.

Our scientists developed a novel antimicrobial paint additive using our breakthrough in glass-ceramic technology. Corning® Guardiant® contains the most bioactive form of copper, encased in a special glass-ceramic powder that enables controlled release for killing germs. Tests conducted under rigorous protocols approved by the U.S. Environmental Protection Agency show that paint containing Guardiant killed 99.9% of the virus that causes COVID-19 on coated surfaces in less than two hours. In collaboration with leading paint and coatings manufacturers, including PPG and Nippon Paint China, we're developing and launching products containing Guardiant.

Our Advanced-Flow™ Reactor teams in China and France designed, built, shipped, and deployed production-scale manufacturing within days of a customer's request to produce antimicrobial sprays, instead of the weeks or months it would normally take. This enabled rapid production of the customer's environmental disinfectant, a peracetic acid solution, to help reduce the spread of the coronavirus.

Our employees around the world came up with innovative ways to secure personal protective equipment to help protect the safety of their fellow employees as well as front-line workers at local hospitals. A cross-functional team in Tainan, Taiwan, mobilized to build a production line in just 46 days to provide stable and secure sourcing of facial coverings to our employees worldwide. Another group of employees from several Corning locations in upstate New York volunteered their time and talent to make thousands of 3D-printed face shields for front-line workers at local hospitals.

In addition to these and many other efforts to directly combat the virus, we stepped up to support vital human services and relief efforts in our communities around the world by distributing food, donating medical supplies, and dispensing personal protective equipment. In short, Corning is all in – fully committed to the global effort to end this human health crisis and doing our best to make a difference with whatever we have to offer.

### Execution and Results

Corning's 2020 financial performance was impacted by the turmoil the global economy experienced during the year, as the outbreak of COVID-19 early in the year led to widespread public measures to contain the spread of the virus. These measures – including travel restrictions, stay-at-home orders, and limits on business activity and events – led to a sharp drop in global economic output and employment.

As the global impact of the pandemic and related economic downturn began to unfold during the first quarter, we made aggressive adjustments to align our costs and operating plan with lower actual and anticipated sales. We reduced production levels and operating costs across most of our businesses, modified inventory plans, and reduced capital expenditures.

These actions began to show results in the second quarter and accelerated through the second half of the year. As the economy strengthened and demand started to recover in many of the markets we serve, we effectively adjusted

operations to keep pace with the rebound.

Against this backdrop, our core net sales for the year totaled \$11.5 billion, while core earnings per share were \$1.39. Given the market conditions and disruption we faced, Corning executed exceptionally well in 2020. We strengthened our balance sheet, generated strong free cash flow, and advanced important growth opportunities throughout the year.

We closed the year with very strong performance in the fourth quarter. Core net sales were up 11% compared with the prior quarter and 17% year over year. Core operating margin grew 18% sequentially and 58% year over year, while core earnings per share rose 21% sequentially and 13% year over year.

Corning began 2020 with a balance sheet built to withstand tough economic times, and we ended the year even stronger. We generated \$948 million of adjusted free cash flow for the year and finished with \$2.7 billion in cash on our balance sheet. Since 2019, we've raised the quarterly dividend on our common stock from 20 cents per share to 24 cents per share, an increase of 20% over two years.

These results reflect our disciplined execution and sharp focus on operational excellence, cash-flow generation, and prudent capital management. Looking ahead, we see solid growth opportunities across all our businesses and remain committed to outperforming our underlying markets.

## Strategic Position

Before I detail the performance across our markets, let me provide some context by briefly reviewing what Corning is, what we do, and what we stand for.

Corning is one of the world's most proficient innovators in materials science. We combine our unparalleled expertise in glass science, ceramic science, and optical physics with our proprietary manufacturing and engineering platforms to develop category-defining products that transform industries and enhance lives. Few competitors can match our expertise in any one of our core capabilities. When we combine them, we create breakthrough products and processes with significant and sustainable competitive advantages.

We focus our strategy on capturing synergies from our core capabilities and applying them to create disruptive

innovations across five Market-Access Platforms: Mobile Consumer Electronics, Optical Communications, Automotive, Life Sciences, and Display.

Doing what we do the way we do it isn't easy. It takes time and requires expertise, proprietary equipment, large-scale manufacturing, and ongoing investment. But we believe our results speak for themselves. Our products clean the air we breathe, connect people to information and each other, provide the window through which we access information and entertainment, and help facilitate the discovery and delivery of vital medicines.

The relevance of our portfolio puts Corning at the heart of ongoing innovation with industry leaders. This is an especially powerful value-creation lever in times of economic uncertainty because we aren't exclusively relying on people buying more stuff. We are putting more Corning into the products that people are already buying.

Our Market-Access Platforms help fuel this growth mechanism for Corning, creating opportunities to reapply and reuse assets and capabilities developed for customers in one market ecosystem to serve customers in another. To build on the success of this market-oriented approach over the past several years, we reorganized our operating structure in April to align management and business teams around our five Market-Access Platforms.

This new operating structure is designed to help us gain better customer insights, further leverage our distribution channels, and create more opportunities for innovation with the ultimate goal of achieving long-term growth. To help ensure we deliver on our strategy effectively, we also appointed a chief operating officer to focus on execution across all areas of Corning operations.

## Advancing Growth Initiatives

In 2020, we strengthened our leadership across each of our Market-Access Platforms while continuing to advance important growth initiatives.

**In Life Sciences**, pandemic-related demand highlighted our strength in the industry, and we achieved major milestones toward building a significant Valor Glass franchise. At the start of the year, we entered a long-term supply agreement to provide Valor Glass vials for a portion of currently marketed Pfizer drug products. Soon after, we were awarded \$204 million in funding from the U.S. government to

substantially expand domestic manufacturing capacity for Valor vials. We're supplying Valor Glass to several leading COVID-19 vaccine manufacturers and have produced millions of Valor vials and shipped enough for more than 100 million doses. The global health fight is also driving strong demand for our consumable laboratory products, which support the development of treatments and vaccines as well as mass-testing efforts. We received \$15 million from the U.S. government to expand domestic capacity for robotic pipette tips, which are used for COVID-19 diagnostic testing.

**In Mobile Consumer Electronics**, we launched Corning® Gorilla® Glass Victus™, the toughest Gorilla Glass yet, and it's already featured on six Samsung devices. We also invented the world's first transparent, color-free glass-ceramic, which is featured on the front cover of the latest iPhone. We partnered with Apple to develop and scale manufacturing of Ceramic Shield, which offers unparalleled durability and toughness. Sales in our Specialty Materials segment were up 18% year over year, driven by demand for premium cover materials, growth in IT products due to work- and study-from-home trends, and demand for semiconductor equipment.

**In Automotive**, our Environmental Technologies segment outperformed its underlying markets, driven by more Corning content across both our automotive and diesel businesses. Fourth-quarter results reflected year-over-year growth in gasoline particulate filter sales as adoption continued in Europe and China. We're opening a heavy-duty plant in Hefei, China, to meet new demands stemming from adoption of upcoming emissions-control regulations in China. We flexed our operations to adjust both to the rapid drop in production at original equipment manufacturers (OEMs) during the first half of the year and the fast-paced ramp-up as production rebounded in the second half. Our teams did a great job controlling costs and maintaining flexibility during a turbulent year. Additionally, our Automotive Glass Solutions business is building strong momentum, enabling the rapid shift toward in-vehicle displays that are interactive, integrated, and shaped. We're collaborating with industry leaders across the auto ecosystem, including Visteon, LG Electronics, BOE, and VIA Optronics, to accelerate the adoption of our patented Corning® ColdForm™ Technology, which enables lower-cost, shaped auto interiors. Our large-scale automotive glass facility, also in Hefei, is now fully operational and servicing growing demand.

**In Optical Communications**, we introduced new and innovative solutions that help speed the deployment of

5G. We launched outdoor 5G-ready connectivity solutions, featuring compact, easy-to-install terminals that can be deployed in any conceivable architecture. Network operators can save up to \$500 per terminal location, dramatically lowering installation costs and speeding deployment. We're also collaborating with Verizon to enable 5G mmWave indoor deployments for its enterprise customers and working with Qualcomm Technologies to deliver indoor networks that are 5G-ready, easy to install, and affordable. In addition, we're collaborating with EnerSys to simplify the delivery of fiber and electrical power to small-cell wireless sites. We saw strong year-over-year sales growth in the fourth quarter of the year and expect growth to continue in 2021 as network operators increase spending to support growing bandwidth requirements.

**In Display**, retail demand for TV and IT products remains strong. Demand for large-size TVs continues to grow, with sales of 75-inch sets up more than 60% year over year. Large TVs are most efficiently made on Gen 10.5 fabs, and Corning is well positioned to capture that growth. Our Gen 10.5 plants in China, including our two newest facilities, in Wuhan and Guangzhou, are expanding production to meet customer demand. Ramping these new sites in the midst of a pandemic was no small feat. We're proud of our expert engineering teams that overcame a host of challenges to start up glass-melting tanks in both facilities.

### Long-Term Growth Drivers

Looking ahead, Corning's long-term growth drivers remain intact. In fact, we believe some of the secular trends benefiting us could accelerate as consumer lifestyles continue to adapt in the wake of the COVID-19 health crisis. Let me offer some examples:

Physical distancing and the sharp increase in the number of people working and learning from home have increased demands on telecommunications networks. This points to the need to continuously scale network capacity and invest in technologies such as 5G, fiber to the home, and cloud computing. In addition, remote work and learning, entertainment, and personal connection are increasingly being mediated through displays on TVs, laptops, tablets, and mobile consumer electronics – making Corning's industry-leading glass offerings even more essential for displays and touch interfaces. Meanwhile, increased prioritization of drug discovery and safe, efficient delivery of vaccines provide a strong opportunity for Corning to extend our well-established leadership position in Life Sciences. And

with COVID-19 heightening the importance of reducing air pollution, our clean-air technologies that remove harmful particles from diesel and gasoline exhaust become even more essential to protect public health.

We're proud to be addressing some of the world's most pressing problems today to help build a better tomorrow.

### **Closing Thoughts**

Many years from now, when we look back at 2020, I believe many of us will recall a tumultuous time fraught with risk and uncertainty. I also believe it will be viewed as a momentous and consequential year that spurred breakthrough discoveries and innovations.

Corning is proud to be at the forefront of creating inventions and innovations that make a lasting impact on the way people live, learn, work, and grow. And I'm confident that, through the outstanding efforts of our employees, we'll continue to do what Corning does best – transform industries, enhance lives, and deliver innovations that solve some of the most pressing challenges of our time – year after year and well into the future.

In closing, I want to thank our shareholders for being on this journey with us. We're working hard every day to maintain your trust and reward your confidence in us.

I especially want to thank our incredibly dedicated employees around the world for their focus and execution. Their commitment to our stakeholders, to the communities we serve, and to each other clearly demonstrates that together we're greater than any challenge we face. We're Corning – united and strong.

Sincerely,

A handwritten signature in black ink that reads "Wendell P. Weeks". The signature is written in a cursive, flowing style.

**Wendell P. Weeks**

*Chairman, Chief Executive Officer, and President*

# CORNING

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Wendell Weeks photo by Robert Barker Photography.