ALCON INC. INTERIM FINANCIAL REPORT

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OPERATING PERFORMANCE

Key figures

($ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2023	2022	$	cc[1] (non-IFRS measure)	2023	2022	$	cc[1] (non-IFRS measure)
Net sales to third parties	2,402	2,200	9	12	4,735	4,375	8	11
Gross profit	1,363	1,204	13	17	2,668	2,412	11	15
Operating income	270	200	35	55	538	446	21	40
Operating margin (%)	*11.2*	*9.1*			*11.4*	*10.2*		
Net income	**169**	**148**	**14**	**35**	**343**	**316**	**9**	**30**
Basic earnings per share ($)[2]	0.34	0.30	13	34	0.70	0.64	9	30
Diluted earnings per share ($)[2]	0.34	0.30	13	34	0.69	0.64	8	30
Core results (non-IFRS measure)[1]								
Core operating income	479	405	18	28	959	853	12	23
Core operating margin (%)	*19.9*	*18.4*			*20.3*	*19.5*		
Core net income	**341**	**313**	**9**	**19**	**688**	**651**	**6**	**17**
Core basic earnings per share ($)[2]	0.69	0.64	8	19	1.40	1.33	5	16
Core diluted earnings per share ($)[2]	0.69	0.63	10	19	1.39	1.32	5	16

(1) Core results and constant currencies (cc) as presented in this table are non-IFRS measures. Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods. Refer to the 'Supplementary Information' section for additional information and reconciliation tables.

(2) Per share amounts may not add across quarters due to rounding.

Net sales by segment

($ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2023	2022	$	cc[1] (non-IFRS measure)	2023	2022	$	cc[1] (non-IFRS measure)
Surgical								
Implantables	437	444	(2)	2	864	899	(4)	—
Consumables	714	644	11	13	1,370	1,245	10	13
Equipment/other	231	208	11	15	452	411	10	14
Total Surgical	**1,382**	**1,296**	**7**	**10**	**2,686**	**2,555**	**5**	**9**
Vision Care								
Contact lenses	594	547	9	10	1,209	1,104	10	12
Ocular health	426	357	19	22	840	716	17	20
Total Vision Care	**1,020**	**904**	**13**	**15**	**2,049**	**1,820**	**13**	**15**
Net sales to third parties	**2,402**	**2,200**	**9**	**12**	**4,735**	**4,375**	**8**	**11**

(1) Constant currencies is a non-IFRS measure. Refer to the 'Supplementary Information' section for additional information.

Second quarter

Surgical

Surgical net sales were $1.4 billion, an increase of 7%. Excluding unfavorable currency impacts of 3%, Surgical net sales increased 10% in constant currencies.

- Implantables net sales were $437 million, a decrease of 2%. Implantables net sales increased 5% excluding negative impacts of 4% from currency and 3% from the residual impact of an insurance reimbursement change in South Korea that took effect April 1, 2022. Growth in international markets was partially offset by other market entrants in the United States. Implantables net sales increased 2% in constant currencies.
- Consumables net sales were $714 million, an increase of 11%, reflecting favorable market conditions across geographies and price increases. China contributed 4% to consumables sales growth, including the ongoing recovery from the COVID-19 pandemic. Growth was partially offset by unfavorable currency impacts of 2%. Consumables net sales increased 13% in constant currencies.
- Equipment/other net sales were $231 million, an increase of 11%, reflecting continued strong demand for cataract equipment in international markets and higher service revenues. Growth was partially offset by unfavorable currency impacts of 4%. Equipment/other net sales increased 15% in constant currencies.

Vision Care

Vision Care net sales were $1.0 billion, an increase of 13%, including 4% from products acquired in 2022. Excluding unfavorable currency impacts of 2%, Vision Care net sales increased 15% in constant currencies.

- Contact lenses net sales were $594 million, an increase of 9%, led by continued growth in silicone hydrogel contact lenses, including the *Precision1* and *Total* product families, and price increases. Growth was partially offset by unfavorable currency impacts of 1%. Contact lenses net sales increased 10% in constant currencies.
- Ocular health net sales were $426 million, an increase of 19%, primarily driven by the portfolio of eye drops, including acquired ophthalmic pharmaceutical products, price increases and ongoing recovery from supply chain challenges in contact lens care. Growth was partially offset by unfavorable currency impacts of 3%. Ocular health net sales increased 22% in constant currencies, including 10% from products acquired in 2022.

First half

Surgical

Surgical net sales were $2.7 billion, an increase of 5%. Excluding unfavorable currency impacts of 4%, Surgical net sales increased 9% in constant currencies.

- Implantables net sales were $864 million, a decrease of 4%. Implantables net sales increased 7% excluding negative impacts of 4% from currency and 7% from the impact of an insurance reimbursement change in South Korea that took effect April 1, 2022. Growth in other international markets was partially offset by other market entrants in the United States. Implantables net sales were in-line with the prior year period in constant currencies.
- Consumables net sales were $1.4 billion, an increase of 10%, reflecting favorable market conditions across geographies and price increases. China contributed 2% to consumables sales growth, including the ongoing recovery from the COVID-19 pandemic. Growth was partially offset by unfavorable currency impacts of 3%. Consumables net sales increased 13% in constant currencies.
- Equipment/other net sales were $452 million, an increase of 10%, reflecting continued strong demand for cataract equipment in international markets and higher service revenues. Growth was partially offset by unfavorable currency impacts of 4%. Equipment/other net sales increased 14% in constant currencies.

Vision Care

Vision Care net sales were $2.0 billion, an increase of 13%, including 5% from products acquired in 2022. Excluding unfavorable currency impacts of 2%, Vision Care net sales increased 15% in constant currencies.

- Contact lenses net sales were $1.2 billion, an increase of 10%, led by continued growth in silicone hydrogel contact lenses, including the *Precision1* and *Total* product families, and price increases. Growth was partially offset by unfavorable currency impacts of 2%. Contact lenses net sales increased 12% in constant currencies.
- Ocular health net sales were $0.8 billion, an increase of 17%, primarily driven by the portfolio of eye drops, including acquired ophthalmic pharmaceutical products, price increases and ongoing recovery from supply chain challenges in contact lens care. Growth was partially offset by unfavorable currency impacts of 3%. Ocular health net sales increased 20% in constant currencies, including 12% from products acquired in 2022.

Operating income

($ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2023	2022	$	cc[1] (non-IFRS measure)	2023	2022	$	cc[1] (non-IFRS measure)
Gross profit	**1,363**	**1,204**	**13**	**17**	**2,668**	**2,412**	**11**	**15**
Selling, general & administration	(832)	(803)	(4)	(5)	(1,617)	(1,544)	(5)	(7)
Research & development	(217)	(181)	(20)	(19)	(419)	(347)	(21)	(21)
Other income	5	3	67	40	10	12	(17)	(15)
Other expense	(49)	(23)	(113)	(113)	(104)	(87)	(20)	(22)
Operating income	**270**	**200**	**35**	**55**	**538**	**446**	**21**	**40**
Operating margin (%)	*11.2*	*9.1*			*11.4*	*10.2*		
Core results (non-IFRS measure)[1]								
Core gross profit	1,532	1,392	10	14	3,010	2,749	9	14
Core operating income	479	405	18	28	959	853	12	23
Core operating margin (%)	*19.9*	*18.4*			*20.3*	*19.5*		

(1) Core results and constant currencies are non-IFRS measures. Refer to the 'Supplementary Information' section for additional information and reconciliation tables.

Second quarter

Operating income was $270 million (+35%, +55% cc), compared to $200 million in the prior year period. Operating margin increased 2.1 percentage points, reflecting improved underlying operating leverage from higher sales and manufacturing efficiencies. In addition, the prior year period was impacted by intangible asset impairments of $61 million. Operating margin benefits were partially offset by increased investment in research and development primarily following the acquisition of Aerie Pharmaceuticals, Inc. ("Aerie"), a shift in product mix in Surgical, including the impact from South Korea, increased inflationary impacts, higher amortization for intangible assets due to recent acquisitions, increased transformation costs and a negative 1.4 percentage point impact from currency. Operating margin increased 3.5 percentage points on a constant currencies basis.

Adjustments to arrive at core operating income in the current year period were $209 million, mainly due to $168 million of amortization and $26 million of transformation costs. Adjustments to arrive at core operating income in the prior year period were $205 million, mainly due to $146 million of amortization, $61 million in impairments of intangible assets and $9 million of transformation costs.

Core operating income was $479 million (+18%, +28% cc), compared to $405 million in the prior year period. Core operating margin increased 1.5 percentage points, reflecting improved underlying operating leverage from higher sales and manufacturing efficiencies. Core operating margin benefits were partially offset by increased investment in research and development primarily following the acquisition of Aerie, a shift in product mix in Surgical, including the impact from South Korea, increased inflationary impacts and a negative 1.2 percentage point impact from currency. Core operating margin increased 2.7 percentage points on a constant currencies basis.

First half

Operating income was $538 million (+21%, +40% cc), compared to $446 million in the prior year period. Operating margin increased 1.2 percentage points, reflecting improved underlying operating leverage from higher sales and manufacturing efficiencies. In addition, the prior year period was impacted by intangible asset impairments of $61 million and a $20 million legal settlement. Operating margin benefits were partially offset by a shift in product mix in Surgical, including the impact from South Korea, increased inflationary impacts, increased investment in research and development primarily following the acquisition of Aerie, higher amortization for intangible assets due to recent acquisitions, increased transformation costs and a negative 1.4 percentage point impact from currency. Operating margin increased 2.6 percentage points on a constant currencies basis.

Adjustments to arrive at core operating income in the current year period were $421 million, mainly due to $341 million of amortization and $52 million of transformation costs. Adjustments to arrive at core operating income in the prior year

period were $407 million, mainly due to $292 million of amortization, $61 million in impairments of intangible assets, $24 million of transformation costs and a $20 million legal settlement.

Core operating income was $959 million (+12%, +23% cc), compared to $853 million in the prior year period. Core operating margin increased 0.8 percentage points, reflecting improved underlying operating leverage from higher sales and manufacturing efficiencies. Core operating margin benefits were partially offset by a shift in product mix in Surgical, including the impact from South Korea, increased inflationary impacts, increased investment in research and development primarily following the acquisition of Aerie and a negative 1.2 percentage point impact from currency. Core operating margin increased 2.0 percentage points on a constant currencies basis.

Segment contribution

For additional information regarding segment contribution, please refer to Note 3 to the Condensed Consolidated Interim Financial Statements.

	Three months ended June 30				Six months ended June 30			
			Change %				Change %	
($ millions unless indicated otherwise)	2023	2022	$	cc[1] (non-IFRS measure)	2023	2022	$	cc[1] (non-IFRS measure)
Surgical segment contribution	407	348	17	25	788	720	9	18
As % of net sales	*29.5*	*26.9*			*29.3*	*28.2*		
Vision Care segment contribution	174	147	18	26	373	317	18	26
As % of net sales	*17.1*	*16.3*			*18.2*	*17.4*		
Not allocated to segments	(311)	(295)	(5)	(6)	(623)	(591)	(5)	(6)
Operating income	**270**	**200**	**35**	**55**	**538**	**446**	**21**	**40**
Core adjustments (non-IFRS measure)[1]	209	205			421	407		
Core operating income (non-IFRS measure)[1]	**479**	**405**	**18**	**28**	**959**	**853**	**12**	**23**

(1) Core results and constant currencies are non-IFRS measures. Refer to the 'Supplementary Information' section for additional information and reconciliation tables.

Second quarter

Surgical

Surgical segment contribution was $407 million (+17%, +25% cc), compared to $348 million in the prior year period. Segment contribution margin increased 2.6 percentage points, as improvements in underlying operating leverage from higher sales and manufacturing efficiencies were partially offset by increased inflationary impacts, a shift in product mix, including the impact from South Korea, and a negative 1.3 percentage point impact from currency. Segment contribution margin increased 3.9 percentage points on a constant currencies basis.

Vision Care

Vision Care segment contribution was $174 million (+18%, +26% cc), compared to $147 million in the prior year period. Segment contribution margin increased 0.8 percentage points, with improved underlying operating leverage from higher sales and manufacturing efficiencies, partially offset by increased investment in research and development following the acquisition of Aerie and increased inflationary impacts. Segment contribution margin benefits from higher margin ophthalmic pharmaceutical products following the acquisition of Aerie were offset by unfavorable product mix from launches of new silicone hydrogel daily contact lenses. There was also a negative 0.8 percentage point impact from currency. Segment contribution margin increased 1.6 percentage points on a constant currencies basis.

Not allocated to segments

Operating loss not allocated to segments totaled $311 million (-5%, -6% cc), compared to $295 million in the prior year period. The increase in amounts not allocated was primarily driven by higher amortization for intangible assets due to acquisitions, higher transformation costs and other items. The prior year period included impairments of intangible assets.

First half

Surgical

Surgical segment contribution was $788 million (+9%, +18% cc), compared to $720 million in the prior year period. Segment contribution margin increased 1.1 percentage points, as improved underlying operating leverage from higher sales and manufacturing efficiencies were partially offset by a shift in product mix, including the impact from South Korea, and a negative 1.4 percentage point impact from currency. Segment contribution margin increased 2.5 percentage points on a constant currencies basis.

Vision Care

Vision Care segment contribution was $373 million (+18%, +26% cc), compared to $317 million in the prior year period. Segment contribution margin increased 0.8 percentage points, with improved underlying operating leverage from higher sales and manufacturing efficiencies, partially offset by increased investment in research and development following the acquisition of Aerie and increased inflationary impacts. Segment contribution margin benefits from higher margin ophthalmic pharmaceutical products following the acquisition of Aerie were offset by unfavorable product mix from launches of new silicone hydrogel daily contact lenses. There was also a negative 0.8 percentage point impact from currency. Segment contribution margin increased 1.6 percentage points on a constant currencies basis.

Not allocated to segments

Operating loss not allocated to segments totaled $623 million (-5%, -6% cc), compared to $591 million in the prior year period. The increase in amounts not allocated was primarily driven by higher amortization for intangible assets due to acquisitions, higher transformation costs and other items. The prior year period included impairments of intangible assets and a legal settlement.

Non-operating income & expense

($ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2023	2022	$	cc[1] (non-IFRS measure)	2023	2022	$	cc[1] (non-IFRS measure)
Operating income	**270**	**200**	**35**	**55**	**538**	**446**	**21**	**40**
Interest expense	(48)	(31)	(55)	(55)	(95)	(60)	(58)	(61)
Other financial income & expense	(9)	(22)	59	55	(17)	(39)	56	55
Income before taxes	**213**	**147**	**45**	**72**	**426**	**347**	**23**	**48**
Taxes	(44)	1	nm	nm	(83)	(31)	(168)	(226)
Net income	**169**	**148**	**14**	**35**	**343**	**316**	**9**	**30**
Basic earnings per share ($)[2]	0.34	0.30	13	34	0.70	0.64	9	30
Diluted earnings per share ($)[2]	0.34	0.30	13	34	0.69	0.64	8	30
Core results (non-IFRS measure)[1]								
Core taxes	(81)	(39)	(108)	(132)	(159)	(103)	(54)	(70)
Core net income	**341**	**313**	**9**	**19**	**688**	**651**	**6**	**17**
Core basic earnings per share ($)[2]	0.69	0.64	8	19	1.40	1.33	5	16
Core diluted earnings per share ($)[2]	0.69	0.63	10	19	1.39	1.32	5	16

nm = not meaningful

(1) Core results and constant currencies are non-IFRS measures. Refer to the 'Supplementary Information' section for additional information and reconciliation tables.

(2) Per share amounts may not add across quarters due to rounding.

Second quarter

Interest expense

Interest expense was $48 million, compared to $31 million in the prior year period. The current year period had increased financial debts following the funding of the Aerie acquisition in November 2022 and less favorable interest rates.

Other financial income & expense

Other financial income & expense was a net expense of $9 million, compared to $22 million in the prior year period, primarily due to a reduction in foreign currency exchange losses and an increase in interest income.

Taxes

Tax expense was $44 million, compared to a benefit of $1 million in the prior year period. The average tax rate was 20.7%, compared to a 0.7% benefit in the prior year period. The change in the average tax rate is primarily driven by the mix of pre-tax income/(loss) across geographical tax jurisdictions and a lower tax benefit from the build of inventory in certain markets, partially offset by discrete tax items.

Adjustments to arrive at core tax expense in the current year period were $37 million, compared to $40 million in the prior year period, for the tax effect associated with operating income core adjustments.

Core tax expense was $81 million, compared to $39 million in the prior year period. The average core tax rate was 19.2%, compared to 11.1% in the prior year period, primarily due to the mix of pre-tax income/(loss) across geographical tax jurisdictions and a lower tax benefit from the build of inventory in certain markets, partially offset by discrete tax items.

Net income and earnings per share

Net income was $169 million, compared to $148 million in the prior year period, primarily due to higher operating income and lower other financial income & expense, partially offset by increases in interest expense and tax expense. The associated basic and diluted earnings per share were $0.34, compared to basic and diluted earnings per share of $0.30 in the prior year period.

Core net income was $341 million, compared to $313 million in the prior year period, primarily due to higher core operating income and lower other financial income & expense, partially offset by increases in interest expense and core tax expense. The associated core basic and diluted earnings per share were $0.69, compared to core basic and diluted earnings per share of $0.64 and $0.63, respectively, in the prior year period.

First half

Interest expense

Interest expense was $95 million, compared to $60 million in the prior year period. The current year period had increased financial debts following the funding of the Aerie acquisition in November 2022 and less favorable interest rates.

Other financial income & expense

Other financial income & expense was a net expense of $17 million, compared to $39 million in the prior year period, primarily due to an increase in interest income and a reduction in foreign currency exchange losses.

Taxes

Tax expense was $83 million, compared to $31 million in the prior year period. The average tax rate was 19.5%, compared to 8.9% in the prior year period. The increase in the average tax rate is primarily driven by the mix of pre-tax income/(loss) across geographical tax jurisdictions and a lower tax benefit from the build of inventory in certain markets, partially offset by discrete tax items.

Adjustments to arrive at core tax expense in the current year period were $76 million for the tax effect associated with operating income core adjustments. Adjustments to arrive at core tax expense in the prior year period were $72 million for the tax effect associated with operating income core adjustments, partially offset by discrete tax items.

Core tax expense was $159 million, compared to $103 million in the prior year period. The average core tax rate was 18.8%, compared to 13.7% in the prior year period, primarily due to the mix of pre-tax income/(loss) across geographical tax jurisdictions and a lower tax benefit from the build of inventory in certain markets, partially offset by discrete tax items.

Net income and earnings per share

Net income was $343 million, compared to $316 million in the prior year period, primarily due to higher operating income and lower other financial income & expense, partially offset by increases in interest expense and tax expense. The associated basic and diluted earnings per share were $0.70 and $0.69, respectively, compared to basic and diluted earnings per share of $0.64 in the prior year period.

Core net income was $688 million, compared to $651 million in the prior year period, primarily due to higher core operating income and lower other financial income & expense, partially offset by increases in interest expense and core tax expense. The associated core basic and diluted earnings per share were $1.40 and $1.39, respectively, compared to $1.33 and $1.32, respectively, in the prior year period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

Net cash flows from operating activities

Net cash flows from operating activities amounted to $410 million in the first six months of 2023, compared to $470 million in the prior year period. The current year includes cash outflows from the settlement of legal proceedings with Johnson & Johnson Surgical Vision, Inc. ("JJSVI"), higher interest payments associated with increased financial debt outstanding and higher taxes paid due to timing of payments. Net cash flows from operating activities also include increased collections associated with higher sales and lower associate short-term incentive payments, partially offset by the negative impact of foreign currency rates on operating results and higher payments for revenue deductions, transformation and other operating expenditures, including increased investment in research and development. Both periods were impacted by changes in net working capital.

Changes in net working capital in the current year were mainly driven by increases in inventories and trade receivables and the net change in other operating liabilities and other operating assets. The increase in inventories was primarily to meet expected upcoming demand. The increase in trade receivables was primarily driven by new receivables from higher sales outpacing collections. The net change in other operating liabilities was primarily driven by the timing of annual associate short-term incentive payments, which generally occur in the first quarter. The net change in other operating assets was primarily driven by increases in the current portion of long-term receivables from customers, prepaid expenses and other receivables.

Changes in net working capital in the prior year period were mainly driven by the net change in other operating liabilities and increases in trade receivables and inventories. The net change in other operating liabilities was primarily driven by the timing of annual associate short-term incentive payments. The increase in inventories was primarily driven by new product launches and higher raw materials and work in process at manufacturing sites to mitigate uncertainty caused by longer supply lead times. The increase in trade receivables was primarily driven by new receivables from higher sales outpacing collections. Refer to Note 7 of the Condensed Consolidated Interim Financial Statements for additional details regarding changes within net working capital in the current and prior year periods.

Net cash flows used in investing activities

Net cash flows used in investing activities amounted to $568 million in the first six months of 2023, compared to $762 million in the prior year period. Cash outflows in the current year period include capital expenditures, payments for financial assets and purchases of intangible assets. Payments for financial assets primarily include a long-term note receivable related to new financing arrangements with Lifecore Biomedical, Inc. and certain of its affiliates (collectively, "Lifecore") in the second quarter of 2023 and long-term financial investments measured at fair value through other comprehensive income ("FVOCI"). Purchases of intangible assets primarily include intellectual property licenses. Refer to Note 6 of the Condensed Consolidated Interim Financial Statements for additional information.

Cash outflows in the prior year period primarily included the acquisition of Ivantis, Inc. ("Ivantis") and capital expenditures. Refer to Note 2 of the Condensed Consolidated Interim Financial Statements for additional information on the acquisition of Ivantis.

Net cash flows used in financing activities

Net cash flows used in financing activities amounted to $166 million in the first six months of 2023, compared to $277 million in the prior year period. Cash outflows in the current year period primarily include dividends paid to shareholders of Alcon Inc., withholding taxes paid upon net settlements of equity-based compensation and lease payments, partially offset by net proceeds from local debt facilities.

Cash outflows in the prior year period primarily included dividends paid to shareholders of Alcon Inc., payment of certain local debt facilities, withholding taxes paid upon net settlements of equity-based compensation, payments made upon settlement of derivative contracts and lease payments. Cash flows in the prior year period also included the issuance of senior notes offset by repayment of the Facility C term loan and partial repayment of the Facility B term loan.

Free cash flow (non-IFRS measure)

Free cash flow amounted to an inflow of $189 million in the first six months of 2023, compared to $233 million in the prior year period, due to the change in cash flows from operating activities, partially offset by decreased purchases of property, plant and equipment.

For additional information regarding free cash flow, which is a non-IFRS measure, see the explanation of non-IFRS measures and reconciliation tables in the 'Supplementary Information' section.

Balance sheet

Assets

Total non-current assets were $24.0 billion as of June 30, 2023, in-line with December 31, 2022. Financial assets increased $226 million primarily due to a long-term note receivable resulting from financing arrangements with Lifecore and purchases of long-term financial investments measured at FVOCI. Property, plant & equipment increased $64 million primarily due to capital expenditures, partially offset by depreciation. Intangible assets other than goodwill decreased $321 million primarily due to recurring amortization, partially offset by additions.

Total current assets were $5.2 billion as of June 30, 2023, in-line with December 31, 2022. Cash and cash equivalents decreased $319 million due to the net impact of operating, investing and financing activities as described in the preceding section. Our cash and cash equivalents are maintained at a number of financial institutions. To mitigate the risk of uninsured balances, we select financial institutions based on their credit ratings and financial strength, and we perform ongoing evaluations of these institutions to limit our concentration risk exposure. Inventories increased $161 million primarily to meet expected upcoming demand, partially offset by foreign currency translation effects. Trade receivables increased $119 million primarily driven by higher sales outpacing collections, partially offset by foreign currency translation effects.

Liabilities

Total non-current liabilities were $6.9 billion as of June 30, 2023, an increase of $114 million when compared to December 31, 2022. Provisions and other non-current liabilities increased $46 million primarily due to increases in pensions and other long-term employee benefits and deferred compensation. Financial debts increased $40 million primarily due to the refinancing of local debt facilities in Japan and currency translation effects.

Total current liabilities were $2.4 billion as of June 30, 2023, a decrease of $376 million when compared to $2.8 billion as of December 31, 2022. Provisions and other current liabilities decreased $345 million primarily due to the JJSVI legal settlement payment, the timing of annual associate short-term incentive payments and transformation payments. Current income tax liabilities decreased $66 million primarily due to the timing of payments. Trade payables increased $41 million primarily due to the timing of payments.

Equity

Equity was $19.9 billion as of June 30, 2023, an increase of $262 million when compared to $19.7 billion as of December 31, 2022.

Net (debt)/liquidity (non-IFRS measure)

Net debt of $4.0 billion as of June 30, 2023 increased $346 million compared to $3.7 billion as of December 31, 2022. Alcon's liquidity amounted to $675 million as of June 30, 2023, compared to $988 million as of December 31, 2022. Total financial debt amounted to $4.7 billion as of June 30, 2023, compared to $4.6 billion as of December 31, 2022. The average maturity of financial debts outstanding as of June 30, 2023 is 11.3 years.

The $1 billion revolving credit facility remained undrawn as of June 30, 2023 and August 15, 2023.

For additional information regarding net (debt)/liquidity, which is a non-IFRS measure, see the explanation of non-IFRS measures and reconciliation tables in the 'Supplementary Information' section.

Additional Considerations

Supply chain continuity

We have experienced inflationary pressures primarily in labor, utilities and services, electronic components, freight, resins, plastics and other raw materials, which we continue to manage with price increases and productivity initiatives. However, we expect gross margin to be impacted in the remainder of 2023 as we sell inventory which was manufactured with a higher cost base due to continued inflation. We have also encountered supply chain challenges in certain components including microchips, resins and plastics. Our procurement teams are staying in close contact with our critical suppliers to maintain access to raw materials and other components. When necessary, we are also utilizing alternative methods of product distribution and supplier sourcing, as well as alternative shipping options where possible. We expect these inflationary pressures and supply chain challenges to continue through 2023.

Foreign currencies

We use the US Dollar as our reporting currency and are therefore also exposed to foreign currency exchange movements and costs to enter hedging agreements, primarily in Euros, Japanese Yen, Chinese Renminbi, Canadian Dollars, Korean Won, Swiss Francs, Russian Rubles and emerging market currencies. The foreign currency exposure on the balance sheet is hedged with limited exception, but the impact of ongoing macroeconomic conditions is currently unknown and could have a material adverse effect on our results of operations, cash flows or financial condition.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF ALCON INC.

Consolidated Income Statement (unaudited)

		Three months ended June 30		Six months ended June 30	
($ millions except earnings per share)	Note	**2023**	**2022**	**2023**	**2022**
Net sales to third parties	3	**2,402**	**2,200**	**4,735**	**4,375**
Other revenues	3	20	17	39	31
Net sales and other revenues		**2,422**	**2,217**	**4,774**	**4,406**
Cost of net sales		(1,040)	(999)	(2,070)	(1,966)
Cost of other revenues		(19)	(14)	(36)	(28)
Gross profit		**1,363**	**1,204**	**2,668**	**2,412**
Selling, general & administration		(832)	(803)	(1,617)	(1,544)
Research & development		(217)	(181)	(419)	(347)
Other income		5	3	10	12
Other expense		(49)	(23)	(104)	(87)
Operating income		**270**	**200**	**538**	**446**
Interest expense		(48)	(31)	(95)	(60)
Other financial income & expense		(9)	(22)	(17)	(39)
Income before taxes		**213**	**147**	**426**	**347**
Taxes		(44)	1	(83)	(31)
Net income		**169**	**148**	**343**	**316**
Earnings per share ($)					
Basic	4	0.34	0.30	0.70	0.64
Diluted	4	0.34	0.30	0.69	0.64
Weighted average number of shares outstanding (millions)					
Basic	4	493.2	491.7	492.8	491.3
Diluted	4	495.7	494.3	495.9	494.2

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Comprehensive Income (unaudited)

($ millions)	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Net income	**169**	**148**	**343**	**316**
Other comprehensive income to be eventually recycled into the Consolidated Income Statement:				
Currency translation effects, net of taxes[(1)]	(18)	(67)	9	(65)
Total of items to eventually recycle	**(18)**	**(67)**	**9**	**(65)**
Other comprehensive income never to be recycled into the Consolidated Income Statement:				
Actuarial gains/(losses) from defined benefit plans, net of taxes[(2)]	1	49	(7)	120
Fair value adjustments on equity securities, net of taxes[(3)]	1	—	2	1
Total of items never to be recycled	**2**	**49**	**(5)**	**121**
Total comprehensive income	**153**	**130**	**347**	**372**

(1) Amount is net of tax benefit of $1 million for the three months ended June 30, 2023. Amount is net of tax expense of $1 million for the three months ended June 30, 2022. Amount is net of tax benefit of $1 million for the six months ended June 30, 2023. Amount is net of tax expense of $1 million for the six months ended June 30, 2022.

(2) Amounts are net of tax expense of $0.4 million and $13 million for the three months ended June 30 2023 and 2022, respectively. Amount is net of tax benefit of $2 million for the six months ended June 30, 2023. Amount is net of tax expense of $29 million for the six months ended June 30, 2022.

(3) Amounts are net of tax expense of $0.4 million and $0.1 million for the three months ended June 30, 2023 and 2022, respectively. Amounts are net of tax expense of $0.8 million and $0.3 million for the six months ended June 30, 2023 and 2022, respectively.

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Balance Sheet (unaudited)

($ millions)	Note	June 30, 2023	December 31, 2022
Assets			
Non-current assets			
Property, plant & equipment		4,089	4,025
Right-of-use assets		382	391
Goodwill		8,970	8,970
Intangible assets other than goodwill		9,368	9,689
Deferred tax assets		406	411
Financial assets	6	513	287
Other non-current assets		281	243
Total non-current assets		**24,009**	**24,016**
Current assets			
Inventories		2,270	2,109
Trade receivables		1,792	1,673
Income tax receivables		40	13
Cash and cash equivalents		661	980
Other current assets		437	418
Total current assets		**5,200**	**5,193**
Total assets		**29,209**	**29,209**
Equity and liabilities			
Equity			
Share capital		20	20
Reserves		19,919	19,657
Total equity		**19,939**	**19,677**
Liabilities			
Non-current liabilities			
Financial debts	5	4,581	4,541
Lease liabilities		354	359
Deferred tax liabilities		1,097	1,064
Provisions & other non-current liabilities		832	786
Total non-current liabilities		**6,864**	**6,750**
Current liabilities			
Trade payables		902	861
Financial debts	5	100	107
Lease liabilities		72	71
Current income tax liabilities		153	219
Provisions & other current liabilities		1,179	1,524
Total current liabilities		**2,406**	**2,782**
Total liabilities		**9,270**	**9,532**
Total equity and liabilities		**29,209**	**29,209**

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Changes in Equity (unaudited)

Six months ended June 30, 2023

($ millions)	Share capital	Other reserves	Fair value adjustments on equity securities	Actuarial gains/(losses) from defined benefit plans	Cumulative currency translation effects	Total value adjustments[1]	Equity
Balance as of January 1, 2023	**20**	**19,673**	**(33)**	**67**	**(50)**	**(16)**	**19,677**
Net income		343				—	343
Other comprehensive income/(loss)			2	(7)	9	4	4
Total comprehensive income	**—**	**343**	**2**	**(7)**	**9**	**4**	**347**
Dividends		(117)				—	(117)
Equity-based compensation		23				—	23
Other movements[2]		9				—	9
Total other movements	**—**	**(85)**	**—**	**—**	**—**	**—**	**(85)**
Balance at June 30, 2023	**20**	**19,931**	**(31)**	**60**	**(41)**	**(12)**	**19,939**

Six months ended June 30, 2022

($ millions)	Share capital	Other reserves	Fair value adjustments on equity securities	Actuarial gains/(losses) from defined benefit plans	Cumulative currency translation effects	Total value adjustments[1]	Equity
Balance as of January 1, 2022	**20**	**19,356**	**(32)**	**(74)**	**(14)**	**(120)**	**19,256**
Net income		316				—	316
Other comprehensive income/(loss)			1	120	(65)	56	56
Total comprehensive income	**—**	**316**	**1**	**120**	**(65)**	**56**	**372**
Dividends		(102)				—	(102)
Equity-based compensation		4				—	4
Other movements[2]		11				—	11
Total other movements	**—**	**(87)**	**—**	**—**	**—**	**—**	**(87)**
Balance at June 30, 2022	**20**	**19,585**	**(31)**	**46**	**(79)**	**(64)**	**19,541**

(1) "Total value adjustments" are presented net of the corresponding tax effects.

(2) Activity includes hyperinflationary accounting.

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows (unaudited)

($ millions)	Note	Six months ended June 30 2023	2022
Net income		**343**	**316**
Adjustments to reconcile net income to net cash flows from operating activities			
Depreciation, amortization, impairments and fair value adjustments	7.1	603	588
Equity-based compensation expense		74	70
Non-cash change in current and non-current provisions and other non-current liabilities		49	40
Losses on disposal and other adjustments on property, plant & equipment and other non-current assets, net		14	2
Interest expense		95	60
Other financial income & expense		17	39
Taxes		83	31
Interest received		15	2
Interest paid		(94)	(53)
Other financial payments		(4)	(4)
Taxes paid		(151)	(120)
Net cash flows before working capital changes and net payments out of provisions and other non-current liabilities		1,044	971
Net payments out of provisions and other cash movements in non-current liabilities		(214)	(70)
Change in net current assets and other operating cash flow items	7.2	(420)	(431)
Net cash flows from operating activities		**410**	**470**
Purchase of property, plant & equipment		(221)	(237)
Purchase of intangible assets		(132)	(23)
Payments for financial assets		(216)	(21)
Proceeds from financial assets		1	2
Acquisitions of assets, net of cash acquired		—	(483)
Net cash flows used in investing activities		**(568)**	**(762)**
Dividends paid to shareholders of Alcon Inc.	4	(116)	(100)
Repayment of current portion of non-current financial debts		(34)	—
Proceeds from current financial debts		40	—
Proceeds from non-current financial debts, net of issuance costs		29	531
Repayment of non-current financial debts		—	(536)
Other changes in current financial debts		4	(52)
Lease payments		(38)	(34)
Payment of withholding taxes related to equity-based compensation		(43)	(46)
Other financing cash flows		(8)	(40)
Net cash flows used in financing activities		**(166)**	**(277)**
Effect of exchange rate changes on cash and cash equivalents		5	24
Net change in cash and cash equivalents		**(319)**	**(545)**
Cash and cash equivalents at January 1		980	1,575
Cash and cash equivalents at June 30		**661**	**1,030**

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF ALCON INC. (unaudited)

1. Selected accounting policies

Basis of preparation

These Condensed Consolidated Interim Financial Statements for Alcon Inc. ("the Company") and the subsidiaries it controls (collectively, "Alcon") have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and with the accounting policies as described in Note 2 to the December 31, 2022 Consolidated Financial Statements in the Company's 2022 Form 20-F ("Form 20-F").

These Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. The financial information consolidates the Company and the subsidiaries it controls, and includes selected notes to explain events and transactions that are significant to an understanding of the changes in Alcon's financial position and performance since the prior annual Consolidated Financial Statements. Therefore, the Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS as issued by the IASB and can be found in the Form 20-F.

The accompanying Condensed Consolidated Interim Financial Statements present our historical financial position, results of operations, comprehensive income and cash flows in accordance with IFRS. Alcon's principal accounting policies are set out in Note 2 to the Consolidated Financial Statements in the Form 20-F.

Use of estimates and assumptions

The preparation of Condensed Consolidated Interim Financial Statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the period that affect the reported amounts of assets and liabilities as well as revenues and expenses. Because of the inherent uncertainties, actual outcomes and results may differ from management's assumptions and estimates.

Impairment of goodwill, Alcon brand name and definite lived intangible assets

As discussed in Note 2 to the Consolidated Financial Statements in the Form 20-F, Goodwill, the Alcon brand name and acquired In-process research & development projects are reviewed for impairment at least annually and these, as well as all other investments in intangible assets, are reviewed for impairment whenever events or changes in circumstance indicate that the asset's balance sheet or reportable segment carrying amount may not be recoverable. Goodwill and other intangible assets represent a significant amount of total assets on the Consolidated Balance Sheet. Impairment testing may lead to potentially significant impairment charges in the future, which could have a materially adverse impact on Alcon's results of operations and financial condition.

Financial assets

The "Financial assets" portion of the accounting policies was expanded in 2023 to include purchased or originated credit-impaired financial assets, as follows:

Purchased or originated credit-impaired financial assets are financial assets that are credit-impaired on initial recognition with one or more events that have a detrimental impact on the estimated future cash flows of those financial assets. The interest income of the financial assets is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognized in "Other financial income and expense" in the Consolidated Income Statement.

The lifetime expected credit loss ("ECL") of the purchased or originated credit-impaired financial assets is analyzed at inception and utilized in calculating the credit-adjusted effective interest rate, with no Day 1 impact on the carrying value of the financial assets. The value of any collateral related to the financial assets is considered in estimating the lifetime ECL at inception. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECLs, to the amortized cost of the debt instrument on initial recognition. Any change in the lifetime ECL from inception would be reflected as a credit loss in the Consolidated Income statement.

2. Significant transactions

Significant transactions in 2023

There were no significant transactions during the six months ended June 30, 2023.

Significant transactions in 2022

Vision Care - Acquisition of Aerie Pharmaceuticals, Inc.

On November 21, 2022, Alcon acquired 100% of the outstanding shares and equity of Aerie Pharmaceuticals, Inc. ("Aerie"), a pharmaceutical company focused on the discovery, development, manufacturing and commercialization of first-in-class ophthalmic therapies. Pursuant to the terms of the Agreement and Plan of Merger, Alcon paid $15.25 per share to acquire all outstanding shares of Aerie's common stock. The total purchase consideration amounted to $744 million and total cash paid for the net identifiable assets recognized, net of cash acquired, was $666 million. Alcon also assumed debt of $316 million. This transaction was accounted for as a business combination that resulted in goodwill of $65 million. The total purchase consideration was funded with proceeds from a bridge loan facility agreement (the "2022 Bridge Loan Facility") on November 21, 2022. The fair values of the acquired assets and assumed liabilities are provisional pending final measurement of the purchase consideration.

Series 2032 Notes and Series 2052 Notes issuance

On December 6, 2022, Alcon, through its wholly owned subsidiary Alcon Finance Corporation (“AFC”), completed a private offering of non-current financial debt consisting of $700 million of 5.375% senior notes due 2032 and $600 million of 5.750% senior notes due 2052. The funds borrowed through the issuance, together with cash, were used to repay the remaining $640 million Facility B term loan and the $775 million 2022 Bridge Loan Facility.

Vision Care - Acquisition of *Eysuvis* and *Inveltys* products

On July 8, 2022, Alcon acquired two pharmaceutical ophthalmic eye drops, *Eysuvis* and *Inveltys*, from Kala Pharmaceuticals, Inc. The acquisition complements Alcon’s existing portfolio in the large and fast-growing dry eye category. Pursuant to the terms of the Asset Purchase Agreement, Alcon paid total upfront consideration of $60 million for *Eysuvis* and *Inveltys,* paid an additional amount to purchase certain related inventory and assumed certain liabilities of approximately $14 million for a purchase consideration of $79 million. In addition, Alcon agreed to potentially pay additional amounts upon achievement of certain commercial milestones if annual sales exceed defined targets that expire after 2029. The purchase consideration was allocated using the relative fair value approach primarily to currently marketed product intangible assets within the Vision Care reportable segment of $71 million and assumed liabilities of $14 million.

Series 2028 Notes issuance

On May 31, 2022, Alcon, through its wholly owned subsidiary Alcon Finance B.V. (“AFBV”), completed a public offering of $537 million (EUR500 million) of non-current EUR denominated financial debt consisting of 2.375% senior notes due 2028. The funds borrowed through the issuance were used to repay the $376 million (EUR350 million) Facility C term loan in full and partially repay $160 million of the Facility B term loan.

Surgical - Acquisition of Ivantis, Inc.

On January 7, 2022, Alcon acquired 100% of the outstanding shares and equity of Ivantis, Inc., a privately-held, US-based company and manufacturer of the *Hydrus* Microstent, a minimally-invasive glaucoma surgery (“MIGS”) device designed to lower intraocular pressure for open-angle glaucoma patients, for total upfront consideration of $479 million and additional amounts to be potentially paid upon achievement of development and commercial milestones. The acquisition expands Alcon’s surgical portfolio and is expected to help provide a platform for more growth in the glaucoma space. This transaction was accounted for as an asset acquisition.

3. Segmentation of key figures

The segment information disclosed in these Condensed Consolidated Interim Financial Statements reflects historical results consistent with the identifiable reportable segments of Alcon and financial information that the Chief Operating Decision Maker ("CODM") reviews to evaluate segmental performance and allocate resources among the segments. The CODM is the Executive Committee of Alcon.

The businesses of Alcon are divided operationally on a worldwide basis into two identified reportable segments, Surgical and Vision Care. Alcon's reportable segments are the same as its operating segments as Alcon does not aggregate any operating segments in arriving at its reportable segments. As indicated below, certain income and expenses are not allocated to segments.

Reportable segments are presented in a manner consistent with the internal reporting to the CODM. The reportable segments are managed separately due to their distinct needs and activities for research, development, manufacturing, distribution and commercial execution.

The Executive Committee of Alcon is responsible for allocating resources and assessing the performance of the reportable segments.

In Surgical, Alcon researches, develops, manufactures, distributes and sells ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery. The surgical portfolio also includes implantables, consumables and surgical equipment required for these procedures and supports the end-to-end procedure needs of the ophthalmic surgeon.

In Vision Care, Alcon researches, develops, manufactures, distributes and sells daily disposable, reusable, and color-enhancing contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers.

Alcon also provides services, training, education and technical support for both the Surgical and Vision Care businesses.

The basis of preparation and the selected accounting policies mentioned in Note 1 are used in the reporting of segment results.

The Executive Committee of Alcon evaluates segmental performance and allocates resources among the segments primarily based on net sales and segment contribution.

Net identifiable assets are not assigned to the segments in the internal reporting to the CODM, and are not considered in evaluating the performance of the business segments by the Executive Committee of Alcon.

Segment contribution excludes amortization and impairment charges for acquired product rights or other intangibles, general and administrative expenses for corporate activities, transformation costs, fair value adjustments to contingent consideration liabilities, past service costs primarily for post-employment benefit plan amendments, integration related costs and certain other income and expense items.

General & administration (corporate) includes the costs of the Alcon corporate headquarters, including all related corporate function costs.

Other income and expense items excluded from segment contribution include fair value adjustments of financial assets in the form of options to acquire a company carried at fair value through profit and loss ("FVPL"), net gains and losses on fund investments and equity securities valued at FVPL, restructuring costs, legal provisions and settlements and other income and expense items not attributed to a specific segment.

Net sales and other revenues by segment

($ millions)	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Surgical				
Implantables	437	444	864	899
Consumables	714	644	1,370	1,245
Equipment/other	231	208	452	411
Total Surgical net sales to third parties	**1,382**	**1,296**	**2,686**	**2,555**
Vision Care				
Contact lenses	594	547	1,209	1,104
Ocular health	426	357	840	716
Total Vision Care net sales to third parties	**1,020**	**904**	**2,049**	**1,820**
Total net sales to third parties	**2,402**	**2,200**	**4,735**	**4,375**
Vision Care other revenues	20	17	39	31
Total net sales and other revenues	**2,422**	**2,217**	**4,774**	**4,406**

Segment contribution and reconciliation to income before taxes

($ millions)	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Segment contribution				
Surgical	407	348	788	720
Vision Care	174	147	373	317
Total segment contribution	**581**	**495**	**1,161**	**1,037**
Not allocated to segments:				
Amortization of intangible assets	(187)	(162)	(377)	(324)
Impairment charges on intangible assets	—	(61)	—	(61)
General & administration (corporate)	(74)	(70)	(142)	(132)
Transformation costs	(26)	(9)	(52)	(24)
Fair value adjustments to contingent consideration liabilities	—	7	—	7
Integration related costs	(8)	(4)	(14)	(9)
Other	(16)	4	(38)	(48)
Operating income	**270**	**200**	**538**	**446**
Interest expense	(48)	(31)	(95)	(60)
Other financial income & expense	(9)	(22)	(17)	(39)
Income before taxes	**213**	**147**	**426**	**347**

Net sales by region[(1)]

($ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2023		**2022**		**2023**		**2022**	
United States	1,105	46 %	990	45 %	2,183	46 %	1,929	44 %
International	1,297	54 %	1,210	55 %	2,552	54 %	2,446	56 %
Net sales to third parties	**2,402**	**100 %**	**2,200**	**100 %**	**4,735**	**100 %**	**4,375**	**100 %**

(1) Net sales to third parties by location of third-party customer.

4. Dividends and earnings per share

Dividends

On February 27, 2023, the Company's Board of Directors (the "Board") proposed a dividend of CHF 0.21 per share, which was subsequently approved by the shareholders at the Annual General Meeting on May 5, 2023 and paid in May 2023 for an amount of $116 million.

On February 15, 2022, the Board proposed a dividend of CHF 0.20 per share, which was subsequently approved by the shareholders at the Annual General Meeting on April 27, 2022 and paid in May 2022 for an amount of $100 million.

Earnings per share

As of June 30, 2023, there were 493.1 million outstanding common shares, after the delivery of 1.3 million net shares vesting under the equity incentive programs during the six months ended June 30, 2023.

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. For the three and six months ended June 30, 2023, the weighted average number of shares outstanding was 493.2 million and 492.8 million, respectively. For the three and six months ended June 30, 2022, the weighted average number of shares outstanding was 491.7 million and 491.3 million, respectively.

The only potentially dilutive securities are the outstanding unvested equity-based awards, as described in Note 8. Except when the effect would be anti-dilutive, the calculation of diluted earnings per common share includes the weighted average net impact of unvested equity-based awards. For the three and six months ended June 30, 2023, the weighted average diluted number of shares outstanding was 495.7 million and 495.9 million, respectively, which includes the potential conversion of 2.5 million and 3.1 million unvested equity-based awards, respectively. For the three and six months ended June 30, 2022, the weighted average diluted number of shares outstanding was 494.3 million and 494.2 million, respectively, which includes the potential conversion of 2.6 million and 2.9 million unvested equity-based awards, respectively.

5. Non-current and current financial debts

The below table summarizes non-current and current Financial debts outstanding as of June 30, 2023 and December 31, 2022.

($ millions)	June 30, 2023	December 31, 2022
Non-current financial debts		
Local facilities (Japan), floating rate debt due 2025	27	—
2.750% Series 2026 Notes	498	497
2.375% Series 2028 Notes	538	527
3.000% Series 2029 Notes	994	994
2.600% Series 2030 Notes	746	746
5.375% Series 2032 Notes	693	692
3.800% Series 2049 Notes	494	494
5.750% Series 2052 Notes	591	591
Revolving facility, floating rate due 2026	—	—
Total non-current financial debts	**4,581**	**4,541**
Current financial debts		
Local facilities, floating rate:		
Japan	52	69
All others	40	2
Other short-term financial debts, floating rate	7	26
Derivatives	1	10
Total current financial debts	**100**	**107**
Total financial debts	**4,681**	**4,648**

Interest expense recognized for Financial debts, excluding lease liabilities, was $40 million and $81 million for the three and six months ended June 30, 2023, respectively, and $25 million and $49 million for the three and six months ended June 30, 2022, respectively.

Revolving facility

The $1.0 billion Revolving facility remained undrawn as of June 30, 2023.

Local bilateral facilities

On February 14, 2023, three local bilateral facilities in Japan with commitments totaling $170 million (JPY 22.5 billion) which matured in February 2023 were refinanced by three facilities with two year maturities.

6. Financial instruments

Fair value by hierarchy

As required by IFRS, financial assets and liabilities recorded at fair value in the Condensed Consolidated Interim Financial Statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. There are three hierarchical levels, based on an increasing amount of judgment associated with the inputs to derive fair value for these financial assets and liabilities, which are as follows:

Financial assets and liabilities carried at Level 1 fair value hierarchy are listed in active markets.

Financial assets and liabilities carried at Level 2 fair value hierarchy are valued using corroborated market data.

Level 1 financial assets include money market funds and deferred compensation assets. There were no financial liabilities carried at Level 1 fair value, and Level 2 financial assets and liabilities include derivative financial instruments.

Investments in money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The investments are classified as Cash & cash equivalents within the Condensed Consolidated Balance Sheet.

Deferred compensation investments for certain employee benefit plans are held in a rabbi trust and dedicated to pay the benefits under the associated plans but are not considered plan assets as the assets remain available to creditors of Alcon in certain events, including bankruptcy. Rabbi trust assets primarily consist of investments in mutual funds. These assets are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

Level 3 inputs are unobservable for the financial asset or liability. The financial assets and liabilities generally included in the Level 3 fair value hierarchy are equity securities and convertible notes receivable of private companies measured at fair value through other comprehensive income ("FVOCI"), fund investments, options to acquire private companies, and contingent consideration liabilities measured at fair value through profit and loss ("FVPL").

The below tables summarize financial assets and liabilities measured at fair value on a recurring basis or at amortized cost or cost as of June 30, 2023 and December 31, 2022.

	June 30, 2023				
($ millions)	Level 1	Level 2	Level 3	Valued at amortized cost or cost[3]	Total
Non-current financial assets					
Long-term financial investments measured at FVOCI	—	—	143	—	143
Long-term financial investments measured at FVPL	—	—	22	—	22
Long-term note receivable and other financial assets measured at amortized cost	—	—	—	154	154
Long-term receivables from customers	—	—	—	122	122
Deferred compensation assets[1]	153	—	—	—	153
Non-current minimum lease payments from finance lease agreements	—	—	—	37	37
Long-term loans, VAT receivables, advances and security deposits	—	—	—	35	35
Non-current financial assets	**153**	**—**	**165**	**348**	**666**
Current financial assets					
Money market funds	173	—	—	—	173
Current portion of long-term financial investments measured at FVPL[2]	—	—	1	—	1
Current portion of long-term receivables from customers[2]	—	—	—	112	112
Current portion of minimum lease payments from finance lease agreements[2]	—	—	—	26	26
VAT receivables[2]	—	—	—	82	82
Other receivables, security deposits and current assets[2]	—	—	—	87	87
Derivative financial instruments[2]	—	14	—	—	14
Current financial assets	**173**	**14**	**1**	**307**	**495**
Financial assets at fair value and amortized cost or cost	**326**	**14**	**166**	**655**	**1,161**
Financial liabilities					
Contingent consideration liabilities	—	—	(102)	—	(102)
Non-current financial debt	—	—	—	(4,581)	(4,581)
Current financial debt	—	—	—	(99)	(99)
Derivative financial instruments	—	(1)	—	—	(1)
Financial liabilities at fair value and amortized cost	**—**	**(1)**	**(102)**	**(4,680)**	**(4,783)**

(1) Recorded in Other non-current assets.
(2) Recorded in Other current assets.
(3) The carrying amount is a reasonable approximation of fair value, with the exception of the Series 2026, 2028, 2029, 2030, 2032, 2049 and 2052 Notes recorded in Non-current financial debt with a fair value of $4,208 million and a carrying value of $4,554 million as of June 30, 2023. The fair value of notes was determined using Level 2 inputs. The notes were valued using the quoted market price for such notes, which have low trading volumes.

($ millions)	December 31, 2022 Level 1	Level 2	Level 3	Valued at amortized cost or cost[3]	Total
Non-current financial assets					
Long-term financial investments measured at FVOCI	—	—	88	—	88
Long-term financial investments measured at FVPL	—	—	20	—	20
Long-term receivables from customers	—	—	—	119	119
Deferred compensation assets[1]	139	—	—	—	139
Non-current minimum lease payments from finance lease agreements	—	—	—	38	38
Long-term loans, advances and security deposits	—	—	—	22	22
Non-current financial assets	**139**	**—**	**108**	**179**	**426**
Current financial assets					
Money market funds	229	—	—	—	229
Current portion of long-term receivables from customers[2]	—	—	—	102	102
Current portion of minimum lease payments from finance lease agreements[2]	—	—	—	25	25
VAT receivables[2]	—	—	—	99	99
Other receivables, security deposits and current assets[2]	—	—	—	77	77
Derivative financial instruments[2]	—	8	—	—	8
Current financial assets	**229**	**8**	**—**	**303**	**540**
Financial assets at fair value and amortized cost or cost	**368**	**8**	**108**	**482**	**966**
Financial liabilities					
Contingent consideration liabilities	—	—	(98)	—	(98)
Non-current financial debt	—	—	—	(4,541)	(4,541)
Current financial debt	—	—	—	(97)	(97)
Derivative financial instruments	—	(10)	—	—	(10)
Financial liabilities at fair value and amortized cost	**—**	**(10)**	**(98)**	**(4,638)**	**(4,746)**

(1) Recorded in Other non-current assets.
(2) Recorded in Other current assets.
(3) The carrying amount is a reasonable approximation of fair value, with the exception of the Series 2026, 2028, 2029, 2030, 2032, 2049 and 2052 Notes recorded in Non-current financial debt with a fair value of $4,145 million and a carrying value of $4,541 million as of December 31, 2022. The fair value of notes was determined using Level 2 inputs. The notes were valued using the quoted market price for such notes, which have low trading volumes.

The carrying amount is a reasonable approximation of fair value for all other financial assets and liabilities as of June 30, 2023, including Cash & cash equivalents, Trade receivables, Income tax receivables and Trade payables.

There were no transfers of financial instruments between levels in the fair value hierarchy during the six months ended June 30, 2023.

Long-term note receivable and other financial assets measured at amortized cost

On May 22, 2023, Alcon entered into financing arrangements with a long-term supplier, Lifecore Biomedical, Inc. and certain of its affiliates (collectively, “Lifecore”). Alcon provided Lifecore total commitments of $150 million, primarily related to a $142 million senior term loan facility ("Long-term note receivable") maturing on May 22, 2029. The arrangements also include a sale and leaseback agreement for certain machinery and equipment. Transaction costs directly attributable to the acquisition of the financial assets amounting to $4 million were capitalized to financial assets at amortized cost.

The Long-term note receivable bears an annual fixed interest rate of 10%, which is payable in kind (“PIK”) for the first three years, and payable 3% in cash interest and 7% PIK interest thereafter until maturity, unless otherwise elected by Lifecore to pay a greater proportion in cash. The Long-term note receivable is secured by a Pledge and Security agreement (“security agreement”) whereby Alcon is granted first priority security interest in certain collateral, including but not limited to equipment, fixtures, real property and intellectual property. The security agreement is in effect until the payment in full of the term loan facility.

Due to Lifecore's significant financial difficulties at the time the loan was originated, Alcon concluded the financial assets were originated credit-impaired. The lifetime ECL was analyzed at inception and utilized in calculating the credit-adjusted effective interest rate with no impact on the carrying value of the financial assets or effective interest rate of 10%. In addition, as of June 30, 2023, Alcon assessed there was no lifetime ECL due to the assessment of the collateral under the security agreement.

Level 3 financial instruments measured at fair value on a recurring basis

Financial assets

	Long-term financial investments measured at FVOCI		Financial investments measured at FVPL	
($ millions)	**2023**	**2022**	**2023**	**2022**
Balance as of January 1	**88**	**46**	**20**	**6**
Additions	53	19	8	—
Gains recognized in Consolidated Statement of Comprehensive Income	2	1	—	—
Unrealized (losses) in Consolidated Income Statement	—	—	(4)	(1)
Amortization	—	—	(1)	—
Settlement	—	(1)	—	—
Balance as of June 30	**143**	**65**	**23**	**5**

Financial liabilities

	Contingent consideration liabilities	
($ millions)	**2023**	**2022**
Balance as of January 1	**(98)**	**(112)**
Accretion for passage of time	(4)	(4)
Adjustments for changes in assumptions	—	7
Balance as of June 30	**(102)**	**(109)**

As of June 30, 2023, the probability of success for various development and commercial milestones ranges from 55% to 57% and the maximum remaining potential payments related to contingent consideration from business combinations is $395 million, plus other amounts calculated as a percentage of commercial sales in cases where there is not a specified maximum contractual payment amount. The estimation of probability typically depends on factors such as technical milestones or market performance and is adjusted for the probability of payment. If material, probable payments are appropriately discounted to reflect the impact of time.

Changes in contingent consideration liabilities in the prior year period included fair value adjustments for changes in assumptions of $7 million, primarily due to revised expectations for achievement and timing of settlement for development milestones.

Contingent consideration liabilities are reported in “Provisions & other non-current liabilities" based on the projected timing of settlement which is estimated to range from 2028 through 2034 for contingent consideration obligations as of June 30, 2023.

Derivatives

As of June 30, 2023, the net value of unsettled positions for derivative forward contracts and swaps was $13 million, including $14 million of unrealized gains in Other current assets and $1 million of unrealized losses in Current financial debts. As of December 31, 2022, the net value of unsettled positions for derivative forward contracts and swaps was $2 million, including $8 million of unrealized gains in Other current assets and $10 million of unrealized losses in Current financial debts. There are master agreements with several banking counterparties for derivative financial instruments; however, there were no derivative financial instruments meeting the offsetting criteria under IFRS as of June 30, 2023 or December 31, 2022.

Nature and extent of risks arising from financial instruments

Note 17 to the Consolidated Financial Statements in the Form 20-F contains a summary of the nature and extent of risks arising from financial instruments. Since the date of the Form 20-F, our assessment of the nature and extent of credit risk was expanded to include originated credit-impaired financial assets, as outlined below. There have been no other significant changes in the nature and extent of risks arising from financial instruments or corresponding risk management policies since the date of the Form 20-F.

Credit risk

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, Alcon periodically assesses credit risk, assigns individual credit limits, and takes actions to mitigate credit risk where appropriate. For further information, refer to Note 13 to the Consolidated Financial Statements in the Form 20-F.

No customer accounted for 10% or more of Alcon's net sales in the three or six months ended June 30, 2023 or 2022, respectively.

Credit risk also arises from originated credit-impaired financial assets (Long-term note receivable and other financial assets at amortized cost). The maximum exposure to credit risk is reflected in the carrying value of the assets, which amounted to $155 million as of June 30, 2023, including a non-current portion of $154 million in "Long-term note receivable and other financial assets measured at amortized cost" in Financial assets and a current portion of $1 million in "Other receivables, security deposits and current assets" in Other current assets. As of June 30, 2023, the credit risk exposure is fully mitigated by the collateral, with an estimated amount of approximately $375 million, in accordance with the terms of the security agreement. In addition, Alcon performs an ongoing credit evaluation of Lifecore’s financial condition, monitors payment performance and assesses current economic conditions, as well as reasonable and supportable forecasts of future economic conditions, that may affect collectability of the outstanding financial assets.

7. Condensed Consolidated Statement of Cash Flows - additional details

The below tables provide additional detail supporting select line items in the Condensed Consolidated Statement of Cash Flows.

7.1 Depreciation, amortization, impairments and fair value adjustments

	Six months ended June 30	
($ millions)	**2023**	**2022**
Property, plant & equipment	182	161
Right-of-use assets	40	38
Intangible assets	377	385
Financial assets	5	1
Other non-current assets	(1)	3
Total	**603**	**588**

7.2 Change in net current assets and other operating cash flow items

($ millions)	Six months ended June 30 2023	2022
(Increase) in inventories	(198)	(118)
(Increase) in trade receivables	(138)	(151)
Increase in trade payables	36	8
Net change in other operating assets	(44)	(16)
Net change in other operating liabilities	(76)	(154)
Total	**(420)**	**(431)**

8. Equity-based compensation

As described in Note 23 to the Consolidated Financial Statements in the Form 20-F, Alcon has various equity incentive plans, under which Alcon may grant awards in the form of restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs"), restricted stock awards ("RSAs"), or any other form of award at the discretion of the Board. Certain associates in select countries may also participate in share ownership savings plans.

The below table summarizes unvested share movements for all Alcon equity-based incentive plans for the six months ended June 30, 2023 and 2022:

(shares in millions)	Six months ended June 30 2023	2022
Unvested at January 1	**4.8**	**5.6**
Granted	2.2	1.8
Vested	(1.8)	(2.1)
Forfeited	(0.1)	(0.1)
Unvested at June 30	**5.1**	**5.2**

9. Legal proceedings update

A number of Alcon companies are, and will likely continue to be, subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding product liability, sales and marketing practices, commercial disputes, employment, wrongful discharge, antitrust, securities, health and safety, environmental, tax, international trade, privacy, intellectual property, including under the Hatch-Waxman Act, and anti-bribery matters such as those under the Foreign Corrupt Practices Act of 1977 ("FCPA"), as amended.

As a result, Alcon may become subject to substantial liabilities that may not be covered by insurance and could affect Alcon's business, financial position and reputation. While Alcon does not believe that any of these legal proceedings will have a material adverse effect on its financial position, litigation is inherently unpredictable and large judgments sometimes occur. As a consequence, Alcon may in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations or cash flow. Note 18 to the Consolidated Financial Statements in the Form 20-F contains a summary of significant legal proceedings to which Alcon or any of its subsidiaries was a party as of the date of the Form 20-F. The following is a summary as of August 15, 2023 of significant developments in those proceedings since the date of the Form 20-F.

JJSVI patent dispute

On June 23, 2020, Johnson & Johnson Surgical Vision, Inc. ("JJSVI"), acting through its subsidiaries, filed a patent infringement action in the US District Court in Delaware alleging that the manufacture, use, sale, offer for sale, and/or importation of Alcon's *LenSx* Laser System willfully infringes, directly and/or indirectly, one or more claims of 12 US patents. JJSVI subsequently amended its complaint to include copyright infringement claims relating to, among other

things, source code used in the *LenSx* Laser System as well as additional claims of patent infringement. Also beginning on June 23, 2020, JJSVI filed claims in Mannheim, Germany, alleging that Alcon directly infringes certain European patents through its manufacture and sale of *LenSx*. In these cases, JJSVI sought monetary and injunctive relief. Alcon defended all of these cases vigorously and asserted various patent infringement and invalidity claims against JJSVI in Europe and the US. Prior to the trial on the copyright claims in the Delaware action set for February 2023, the parties entered into a confidential settlement agreement to resolve all of the pending legal proceedings described above. As part of that resolution, the parties exchanged cross-licenses of certain intellectual property and other mutually agreed covenants and releases, and Alcon made a one-time payment to JJSVI of $199 million on April 3, 2023, which was accrued as of December 31, 2022 and March 31, 2023, for those rights and to resolve the parties' various worldwide intellectual property disputes concerning femtosecond laser-assisted cataract surgery devices.

No significant new proceedings have commenced since the date of the Form 20-F.

Alcon believes that its total provisions for legal matters are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities, additional liabilities and costs may be incurred beyond the amounts provided.

10. Subsequent events

These unaudited Condensed Consolidated Interim Financial Statements were authorized for issue by the Audit & Risk Committee on August 15, 2023.

SUPPLEMENTARY INFORMATION - DEFINITIONS AND RECONCILIATIONS OF NON-IFRS MEASURES

Non-IFRS measures as defined by the Company

Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods, including core results, percentage changes measured in constant currencies, EBITDA, free cash flow, and net (debt)/liquidity.

Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS measures) may not be comparable to the calculation of similar measures of other companies. These supplemental non-IFRS measures are presented solely to permit investors to more fully understand how Alcon management assesses underlying performance. These supplemental non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures.

Core results

Alcon core results, including core operating income and core net income, exclude all amortization and impairment charges of intangible assets, excluding software, net gains and losses on fund investments and equity securities valued at fair value through profit and loss ("FVPL"), fair value adjustments of financial assets in the form of options to acquire a company carried at FVPL, obligations related to product recalls, and certain acquisition related items. The following items that exceed a threshold of $10 million and are deemed exceptional are also excluded from core results: integration and divestment related income and expenses, divestment gains and losses, restructuring charges/releases and related items, legal related items, gains/losses on early extinguishment of debt or debt modifications, past service costs for post-employment benefit plans, impairments of property, plant and equipment and software, as well as income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a $10 million threshold.

Taxes on the adjustments between IFRS and core results take into account, for each individual item included in the adjustment, the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions.

Alcon believes that investor understanding of its performance is enhanced by disclosing core measures of performance because, since they exclude items that can vary significantly from period to period, the core measures enable a helpful comparison of business performance across periods. For this same reason, Alcon uses these core measures in addition to IFRS and other measures as important factors in assessing its performance.

A limitation of the core measures is that they provide a view of Alcon operations without including all events during a period, such as the effects of an acquisition, divestment, or amortization/impairments of purchased intangible assets and restructurings.

Constant currencies

Changes in the relative values of non-US currencies to the US dollar can affect Alcon's financial results and financial position. To provide additional information that may be useful to investors, including changes in sales volume, we present information about changes in our net sales and various values relating to operating and net income that are adjusted for such foreign currency effects.

Constant currency calculations have the goal of eliminating two exchange rate effects so that an estimate can be made of underlying changes in the Consolidated Income Statement excluding:

- the impact of translating the income statements of consolidated entities from their non-US dollar functional currencies to the US dollar; and
- the impact of exchange rate movements on the major transactions of consolidated entities performed in currencies other than their functional currency.

Alcon calculates constant currency measures by translating the current year's foreign currency values for sales and other income statement items into US dollars, using the average exchange rates from the historical comparative period and comparing them to the values from the historical comparative period in US dollars.

EBITDA

Alcon defines earnings before interest, tax, depreciation and amortization ("EBITDA") as net income/(loss) excluding income taxes, depreciation of property, plant and equipment (including any related impairment charges), depreciation of right-of-use assets, amortization of intangible assets (including any related impairment charges), interest expense and other financial income and expense. Alcon management primarily uses EBITDA together with net (debt)/liquidity to monitor leverage associated with financial debts.

Free cash flow

Alcon defines free cash flow as net cash flows from operating activities less cash flow associated with the purchase or sale of property, plant and equipment. Free cash flow is presented as additional information because Alcon management believes it is a useful supplemental indicator of Alcon's ability to operate without reliance on additional borrowing or use of existing cash. Free cash flow is not intended to be a substitute measure for net cash flows from operating activities as determined under IFRS.

Net (debt)/liquidity

Alcon defines net (debt)/liquidity as current and non-current financial debt less cash and cash equivalents, current investments and derivative financial instruments. Net (debt)/liquidity is presented as additional information because management believes it is a useful supplemental indicator of Alcon's ability to pay dividends, to meet financial commitments and to invest in new strategic opportunities, including strengthening its balance sheet.

Growth rate and margin calculations

For ease of understanding, Alcon uses a sign convention for its growth rates such that a reduction in operating expenses or losses compared to the prior year is shown as a positive growth.

Gross margins, operating income/(loss) margins and core operating income margins are calculated based upon net sales to third parties unless otherwise noted.

Reconciliation of IFRS results to core results (non-IFRS measure)

Three months ended June 30, 2023

($ millions except earnings per share)	IFRS results	Amortization of certain intangible assets[1]	Transformation costs[3]	Other items[5]	Core results (non-IFRS measure)
Gross profit	**1,363**	**164**	**—**	**5**	**1,532**
Operating income	**270**	**168**	**26**	**15**	**479**
Income before taxes	**213**	**168**	**26**	**15**	**422**
Taxes[6]	(44)	(30)	(4)	(3)	(81)
Net income	**169**	**138**	**22**	**12**	**341**
Basic earnings per share ($)	0.34				0.69
Diluted earnings per share ($)	0.34				0.69
Basic - weighted average shares outstanding (millions)[7]	493.2				493.2
Diluted - weighted average shares outstanding (millions)[7]	495.7				495.7

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results (non-IFRS measure)' tables.

Three months ended June 30, 2022

($ millions except earnings per share)	IFRS results	Amortization of certain intangible assets[1]	Impairments[2]	Transformation costs[3]	Other items[5]	Core results (non-IFRS measure)
Gross profit	**1,204**	**141**	**59**	**—**	**(12)**	**1,392**
Operating income	**200**	**146**	**61**	**9**	**(11)**	**405**
Income before taxes	**147**	**146**	**61**	**9**	**(11)**	**352**
Taxes[6]	1	(24)	(14)	(2)	—	(39)
Net income	**148**	**122**	**47**	**7**	**(11)**	**313**
Basic earnings per share ($)	0.30					0.64
Diluted earnings per share ($)	0.30					0.63
Basic - weighted average shares outstanding (millions)[7]	491.7					491.7
Diluted - weighted average shares outstanding (millions)[7]	494.3					494.3

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results (non-IFRS measure)' tables.

Six months ended June 30, 2023

($ millions except earnings per share)	IFRS results	Amortization of certain intangible assets[1]	Transformation costs[3]	Other items[5]	Core results (non-IFRS measure)
Gross profit	**2,668**	**333**	**—**	**9**	**3,010**
Operating income	**538**	**341**	**52**	**28**	**959**
Income before taxes	**426**	**341**	**52**	**28**	**847**
Taxes[6]	(83)	(61)	(9)	(6)	(159)
Net income	**343**	**280**	**43**	**22**	**688**
Basic earnings per share ($)	0.70				1.40
Diluted earnings per share ($)	0.69				1.39
Basic - weighted average shares outstanding (millions)[7]	492.8				492.8
Diluted - weighted average shares outstanding (millions)[7]	495.9				495.9

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results (non-IFRS measure)' tables.

Six months ended June 30, 2022

($ millions except earnings per share)	IFRS results	Amortization of certain intangible assets[1]	Impairments[2]	Transformation costs[3]	Legal items[4]	Other items[5]	Core results (non-IFRS measure)
Gross profit	**2,412**	**281**	**59**	**—**	**—**	**(3)**	**2,749**
Operating income	**446**	**292**	**61**	**24**	**20**	**10**	**853**
Income before taxes	**347**	**292**	**61**	**24**	**20**	**10**	**754**
Taxes[6]	(31)	(49)	(14)	(4)	(5)	—	(103)
Net income	**316**	**243**	**47**	**20**	**15**	**10**	**651**
Basic earnings per share ($)	0.64						1.33
Diluted earnings per share ($)	0.64						1.32
Basic - weighted average shares outstanding (millions)[7]	491.3						491.3
Diluted - weighted average shares outstanding (millions)[7]	494.2						494.2

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results (non-IFRS measure)' tables.

Explanatory footnotes to IFRS to core reconciliation tables

(1) Includes recurring amortization for all intangible assets other than software.

(2) Includes impairment charges related to intangible assets.

(3) Transformation costs, primarily related to restructuring and third party consulting fees, for the multi-year transformation program.

(4) Includes a provision for a legal settlement.

(5) For the three months ended June 30, 2023, Gross profit includes the amortization of inventory fair value adjustments related to a recent acquisition. Operating income also includes integration related expenses for a recent acquisition and the amortization of option rights.

For the three months ended June 30, 2022, Gross profit includes fair value adjustments to contingent consideration liabilities and the reversal of charges related to the war on Ukraine, partially offset by the amortization of inventory fair value adjustments related to a recent acquisition. Operating income also includes integration related expenses for a recent acquisition and fair value adjustments of financial assets, partially offset by the reversal of charges related to the war on Ukraine.

For the six months ended June 30, 2023, Gross profit includes the amortization of inventory fair value adjustments related to a recent acquisition. Operating income also includes integration related expenses for a recent acquisition, fair value adjustments of financial assets and the amortization of option rights.

For the six months ended June 30, 2022, Gross profit includes fair value adjustments to contingent consideration liabilities, partially offset by the amortization of inventory fair value adjustments related to a recent acquisition. Operating income also includes integration related expenses for a recent acquisition and fair value adjustments of financial assets.

(6) For the three months ended June 30, 2023, tax associated with operating income core adjustments of $209 million totaled $37 million with an average tax rate of 17.7%.

For the three months ended June 30, 2022, tax associated with operating income core adjustments of $205 million totaled $40 million with an average tax rate of 19.5%.

For the six months ended June 30, 2023, tax associated with operating income core adjustments of $421 million totaled $76 million with an average tax rate of 18.1%.

For the six months ended June 30, 2022, total tax adjustments of $72 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of $407 million totaled $75 million with an average tax rate of 18.4%.

(7) Core basic earnings per share is calculated using the weighted-average shares of common stock outstanding during the period. Core diluted earnings per share also contemplate dilutive shares associated with unvested equity-based awards as described in Note 4 to the Condensed Consolidated Interim Financial Statements.

EBITDA (non-IFRS measure)

($ millions)	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Net income	**169**	**148**	**343**	**316**
Taxes	44	(1)	83	31
Depreciation of property, plant & equipment	92	79	182	161
Depreciation of right-of-use assets	20	19	40	38
Amortization of intangible assets	187	162	377	324
Impairments of property, plant & equipment and intangible assets	—	61	—	61
Interest expense	48	31	95	60
Other financial income & expense	9	22	17	39
EBITDA	**569**	**521**	**1,137**	**1,030**

Cash flow and net (debt)/liquidity (non-IFRS measure)

($ millions)	Six months ended June 30	
	2023	**2022**
Net cash flows from operating activities	410	470
Net cash flows used in investing activities	(568)	(762)
Net cash flows used in financing activities	(166)	(277)
Effect of exchange rate changes on cash and cash equivalents	5	24
Net change in cash and cash equivalents	**(319)**	**(545)**
Change in derivative financial instrument assets	6	4
Change in equity securities of public companies	—	(3)
Change in current and non-current financial debts	(33)	110
Change in net (debt)	**(346)**	**(434)**
Net (debt) at January 1	(3,660)	(2,499)
Net (debt) at June 30	**(4,006)**	**(2,933)**

Net (debt)/liquidity (non-IFRS measure)

($ millions)	At June 30, 2023	At December 31, 2022
Current financial debt	(100)	(107)
Non-current financial debt	(4,581)	(4,541)
Total financial debt	**(4,681)**	**(4,648)**
Less liquidity:		
Cash and cash equivalents	661	980
Derivative financial instruments	14	8
Total liquidity	**675**	**988**
Net (debt)	**(4,006)**	**(3,660)**

Free cash flow (non-IFRS measure)

The following is a summary of free cash flow for the six months ended June 30, 2023 and 2022, together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

	Six months ended June 30	
($ millions)	2023	2022
Net cash flows from operating activities	**410**	**470**
Purchase of property, plant & equipment	(221)	(237)
Free cash flow	**189**	**233**

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains, and our officers and representatives may from time to time make, certain “forward-looking statements” within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipate,” “intend,” “commitment,” “look forward,” “maintain,” “plan,” “goal,” “seek,” “target,” “assume,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding our liquidity, revenue, gross margin, operating margin, effective tax rate, foreign currency exchange movements, earnings per share, our plans and decisions relating to various capital expenditures, capital allocation priorities and other discretionary items such as our transformation program, market growth assumptions, our social impact and sustainability plans, targets, goals and expectations, and generally, our expectations concerning our future performance.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties and risks that are difficult to predict such as: cybersecurity breaches or other disruptions of our information technology systems; compliance with data privacy, identity protection and information security laws; our ability to comply with the US Foreign Corrupt Practices Act of 1977 and other applicable anti-corruption laws, particularly given that we have entered into a three-year Deferred Prosecution Agreement with the US Department of Justice; the impact of a disruption in our global supply chain or important facilities, including our reliance on single-source suppliers; supply constraints and increases in the cost of energy; our ability to forecast sales demand and manage our inventory levels and the changing buying patterns of our customers; our ability to manage environmental, social and governance matters to the satisfaction of our many stakeholders, some of which may have competing interests; our success in completing and integrating strategic acquisitions; the success of our research and development efforts, including our ability to innovate to compete effectively; global and regional economic, financial, legal, tax, political and social change; our ability to comply with all laws to which we may be subject; pricing pressure from changes in third party payor coverage and reimbursement methodologies; our ability to properly educate and train healthcare providers on our products; our reliance on outsourcing key business functions; our ability to attract and retain qualified personnel; the impact of unauthorized importation of our products from countries with lower prices to countries with higher prices; the ability to obtain regulatory clearance and approval of our products as well as compliance with any post-approval obligations, including quality control of our manufacturing; our ability to protect our intellectual property; our ability to service our debt obligations; the need for additional financing through the issuance of debt or equity; the effects of litigation, including product liability lawsuits and governmental investigations; effect of product recalls or voluntary market withdrawals; the accuracy of our accounting estimates and assumptions, including pension and other post-employment benefit plan obligations and the carrying value of intangible assets; legislative, tax and regulatory reform; the impact of being listed on two stock exchanges; the ability to declare and pay dividends; the different rights afforded to our shareholders as a Swiss corporation compared to a US corporation; and the effect of maintaining or losing our foreign private issuer status under U.S. securities laws.

Additional factors are discussed in our filings with the United States Securities and Exchange Commission, including our Form 20-F. Should one or more of these uncertainties or risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. Therefore, you should not rely on any of these forward-looking statements. Forward-looking statements in this document speak only as of the date of its filing, and we assume no obligation to update forward-looking statements as a result of new information, future events or otherwise.

INTELLECTUAL PROPERTY

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ABOUT ALCON

Alcon helps people see brilliantly. As the global leader in eye care with a heritage spanning over 75 years, we offer the broadest portfolio of products to enhance sight and improve people's lives. Our Surgical and Vision Care products touch the lives of people in over 140 countries each year living with conditions like cataracts, glaucoma, retinal diseases and refractive errors. Our more than 25,000 associates are enhancing the quality of life through innovative products, partnerships with Eye Care Professionals and programs that advance access to quality eye care. Learn more at www.alcon.com.

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