Media Release

Communiqué aux Medias

Medienmitteilung

Alcon Reports Third Quarter 2023 Results

- **Third quarter 2023 sales of $2.3 billion, up 8%, or 9% constant currency[1] (cc)**
- **Third quarter 2023 diluted EPS of $0.41, up 78%, or up 97% cc; core diluted EPS[2] of $0.66 up 32%, or 41% cc**
- **Generated $937 million of cash from operating activities and $592 million of free cash flow[3] in the first nine months of 2023**

Ad Hoc Announcement Pursuant to Art. 53 LR

Geneva, November 14, 2023 - Alcon (SIX/NYSE:ALC), the global leader in eye care, reported its financial results for the three and nine months ended September 30, 2023. For the third quarter of 2023, sales were $2.3 billion, an increase of 8% on a reported basis and 9% on a constant currency basis[1], as compared to the same quarter of the previous year. Alcon reported diluted earnings per share of $0.41 and core diluted earnings per share[2] of $0.66 in the third quarter of 2023.

David J. Endicott, Alcon's Chief Executive Officer, said, "Our strong third quarter results reflect the resilience of our business and end markets, our focus on sustained earnings growth and the commitment of our more than 25,000 associates to pioneering innovations that improve sight."

Mr. Endicott continued, "As we approach the end of the year, we are excited for the future. We are exiting the year from a position of strength, we have a robust pipeline of innovative products and are confident that we'll continue to create long-term value for doctors, their patients and all of our stakeholders."

Third quarter and nine months 2023 key figures

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Net sales ($ millions)	2,303	2,124	7,038	6,499
Operating margin (%)	12.7%	9.7%	11.8%	10.0%
Diluted earnings per share ($)	0.41	0.23	1.10	0.87
Core results (non-IFRS measure)[2]				
Core operating margin (%)	19.5%	17.2%	20.0%	18.7%
Core diluted earnings per share ($)	0.66	0.50	2.05	1.82

(1) Constant currency is a non-IFRS measure. Refer to the 'Footnotes' section for additional information.
(2) Core results, such as core operating income, core operating margin and core diluted EPS, are non-IFRS measures. Refer to the 'Footnotes' section for additional information.
(3) Free cash flow is a non-IFRS measure. Refer to the 'Footnotes' section for additional information.

Third quarter 2023 results

Sales for the third quarter of 2023 were $2.3 billion, an increase of 8% on a reported basis and 9% on a constant currency basis, compared to the third quarter of 2022. Sales for the first nine months of 2023 were $7.0 billion, an increase of 8% on a reported basis and 11% on a constant currency basis, compared to the first nine months of 2022.

The following table highlights net sales by segment for the third quarter and first nine months of 2023:

	Three months ended September 30		Change %		Nine months ended September 30		Change %	
($ millions unless indicated otherwise)	2023	2022	$	cc[1] (non-IFRS measure)	2023	2022	$	cc[1] (non-IFRS measure)
Surgical								
Implantables	401	392	2	5	1,265	1,291	(2)	1
Consumables	661	618	7	7	2,031	1,863	9	11
Equipment/other	214	206	4	5	666	617	8	11
Total Surgical	**1,276**	**1,216**	**5**	**6**	**3,962**	**3,771**	**5**	**8**
Vision Care								
Contact lenses	612	558	10	9	1,821	1,662	10	11
Ocular health	415	350	19	20	1,255	1,066	18	20
Total Vision Care	**1,027**	**908**	**13**	**13**	**3,076**	**2,728**	**13**	**15**
Net sales to third parties	**2,303**	**2,124**	**8**	**9**	**7,038**	**6,499**	**8**	**11**

Surgical growth in line with the market

For the third quarter of 2023, Surgical net sales, which include implantables, consumables and equipment/other, were $1.3 billion, an increase of 5% on a reported basis and 6% on a constant currency basis versus the third quarter of 2022.

- Implantables net sales were $401 million, an increase of 2%, led by demand for advanced technology intraocular lenses in international markets, partially offset by unfavorable currency impacts of 3%. Implantables net sales increased 5% constant currency.
- Consumables net sales were $661 million, an increase of 7%, reflecting demand for cataract and vitreoretinal consumables, particularly in international markets, and price increases. Consumables net sales increased 7% constant currency.
- Equipment/other net sales were $214 million, an increase of 4%, reflecting growth compared with the strong prior year period. Growth was driven by demand for cataract equipment in international markets, partially offset by unfavorable currency impacts of 1%. Equipment/other net sales increased 5% constant currency.

For the first nine months of 2023, Surgical net sales were $4.0 billion, an increase of 5%. Excluding unfavorable currency impacts of 3%, Surgical net sales increased 8% constant currency.

Double-digit Vision Care growth reflects strength in contact lenses and eye drops, including acquired products, and pricing

For the third quarter of 2023, Vision Care net sales, which include contact lenses and ocular health, were $1.0 billion, an increase of 13% on a reported and constant currency basis, versus the third quarter of 2022. Vision Care net sales included 4 percentage points of contribution from products acquired in 2022.

- Contact lenses net sales were $612 million, an increase of 10% driven by product innovation, including toric modalities of *Precision1*, *Total30* and *Dailies Total1*, outpacing declines in legacy lenses. Growth also included price increases and favorable currency impacts of 1%. Contact lenses net sales increased 9% constant currency.
- Ocular health net sales were $415 million, an increase of 19%, primarily driven by the portfolio of eye drops, including acquired ophthalmic pharmaceutical products, and price increases. Growth was partially offset by unfavorable currency impacts of 1%. Ocular health net sales increased 20% constant currency, including 11 percentage points from products acquired in 2022.

For the first nine months of 2023, Vision Care net sales were $3.1 billion, an increase of 13%, including 4 percentage points from products acquired in 2022. Excluding unfavorable currency impacts of 2%, Vision Care net sales increased 15% constant currency.

Operating income

Third quarter 2023 operating income was $293 million and operating margin was 12.7%. Operating margin increased 3.0 percentage points, reflecting improved underlying operating leverage from higher sales and manufacturing efficiencies. The current year period also included a $58 million benefit from the release of a contingent liability related to a recent acquisition. Operating margin benefits were partially offset by increased inflationary impacts, increased investment in research and development, including spend following the acquisition of Aerie Pharmaceuticals, Inc. ("Aerie"), higher amortization for intangible assets due to recent acquisitions and a negative 1.2 percentage point impact from currency. Operating margin increased 4.2 percentage points on a constant currency basis.

Adjustments to arrive at core operating income[(2)] in the current year period were $157 million, mainly due to $167 million of amortization and $30 million of transformation costs, partially offset by a $58 million benefit from the release of a contingent liability related to a recent acquisition. Excluding these and other adjustments, third quarter of 2023 core operating income was $450 million.

Third quarter 2023 core operating margin was 19.5%. Core operating margin increased 2.3 percentage points, reflecting improved underlying operating leverage from higher sales and manufacturing efficiencies. Core operating margin benefits were partially offset by increased inflationary impacts, increased investment in research and development, including spend following the acquisition of Aerie, and a negative 1.2 percentage point impact from currency. Core operating margin increased 3.5 percentage points on a constant currency basis.

Operating income for the first nine months of 2023 was $831 million and operating margin was 11.8%, which increased 1.8 percentage points on a reported basis and 3.1 percentage points on a constant currency basis. Adjustments to arrive at core operating income in the first nine months of 2023 were $578 million, mainly due to $508 million of amortization and $82 million of transformation costs, partially offset by a $58 million benefit from the release of a contingent liability related to a recent acquisition. Excluding these and other adjustments, core operating income for the first nine months of 2023 was $1.4 billion.

Core operating margin for the first nine months of 2023 was 20.0%, an increase of 1.3 percentage points. Core operating margin increased 2.5 percentage points on a constant currency basis.

Diluted earnings per share (EPS)

Third quarter 2023 diluted earnings per share of $0.41 increased 78%, or 97% on a constant currency basis. Core diluted earnings per share of $0.66 increased 32%, or 41% on a constant currency basis.

Diluted earnings per share for the first nine months of 2023 were $1.10, an increase of 26%, or 48% on a constant currency basis. Core diluted earnings per share of $2.05 increased 13%, or 23% on a constant currency basis.

Balance sheet and cash flow highlights

The Company ended the first nine months of 2023 with a cash position of $1.1 billion. Cash flows from operating activities for the first nine months of 2023 totaled $937 million, compared to $872 million in the prior year. The current year includes increased collections associated with higher sales and lower associate short-term incentive payments, which generally occur in the first quarter. Cash outflows in the current year include higher payments for revenue deductions, transformation and other operating expenditures, including increased investment in R&D. The current year cash outflows also include a legal settlement, increased taxes paid due to the timing of payments, higher interest payments associated with increased financial debt outstanding and a negative impact of foreign currency rates on operating results. Both periods were impacted by changes in net working capital.

Free cash flow(3), a non-IFRS measure, was an inflow of $592 million in the first nine months of 2023, compared to $475 million in the previous year. The improvement in free cash flow was driven by increased cash flows from operations and decreased purchases of property, plant and equipment.

2023 outlook

The Company updated its 2023 outlook as per the table below.

2023 outlook[4]	as of February	as of May	as of August	**as of November**	**Comments vs. August**
Net sales (USD)	$9.2 to $9.4 billion	$9.2 to $9.4 billion	$9.3 to $9.5 billion	$9.3 to $9.4 billion	Tightened range
Change vs. prior year (cc)[1] *(non-IFRS measure)*	+6% to +8%	+7% to +9%	+9% to +11%	+10% to +11%	Tightened range
Core operating margin[2] *(non-IFRS measure)*	19.5% to 20.5%	19.5% to 20.5%	19.5% to 20.5%	19.5% to 20.5%	Maintain
Interest expense and Other financial income & expense	$260 to $280 million	$245 to $255 million	$230 to $240 million	$215 to $225 million	Decrease
Core effective tax rate[5] *(non-IFRS measure)*	17% to 19%	17% to 19%	17% to 19%	17% to 19%	Maintain
Core diluted EPS[2] *(non-IFRS measure)*	$2.55 to $2.65	$2.55 to $2.65	$2.70 to $2.80	$2.70 to $2.75	Tightened range
Change vs. prior year (cc)[1] *(non-IFRS measure)*	+16% to +20%	+20% to +24%	+28% to +32%	+31% to 33%	Increase

This outlook assumes the following:

- Markets grow at or above historical averages for the year;
- Exchange rates as of the end of October 2023 prevail through year-end;
- Inflation and supply chain challenges continue;
- Approximately 497 million weighted-averaged diluted shares.

(4) The forward-looking guidance included in this press release cannot be reconciled to the comparable IFRS measures without unreasonable effort, because we are not able to predict with reasonable certainty the ultimate amount or nature of exceptional items in the fiscal year. Refer to the 'Footnotes' section for additional information.

(5) Core effective tax rate, a non-IFRS measure, is the applicable annual tax rate on core taxable income. Refer to the 'Footnotes' section for additional information.

Webcast and Conference Call Instructions

The Company will host a conference call on November 15, 2023 at 2:00 p.m. Central European Time / 8:00 a.m. Eastern Time to discuss its third quarter 2023 earnings results. The webcast can be accessed online through Alcon's Investor Relations website, investor.alcon.com. Listeners should log on approximately 10 minutes in advance. A replay will be available online within 24 hours after the event.

The Company's interim financial report and supplemental presentation materials can be found online through Alcon's Investor Relations website, or by clicking on the link:

https://investor.alcon.com/news-and-events/events-and-presentations/event-details/2023/Alcons-Third-Quarter-2023-Earnings-Conference-Call-2023-z0vz8dGRxM/default.aspx

Footnotes (pages 1-5)

(1) Constant currency (cc) is a non-IFRS measure. Growth in constant currency (cc) is calculated by translating the current year’s foreign currency items into US dollars using average exchange rates from the historical comparative period and comparing them to the values from the historical comparative period in US dollars. An explanation of non-IFRS measures can be found in the 'Non-IFRS measures as defined by the Company' section.

(2) Core results, such as core operating income, core operating margin and core EPS, are non-IFRS measures. For additional information, including a reconciliation of such core results to the most directly comparable measures presented in accordance with IFRS, see the explanation of non-IFRS measures and reconciliation tables in the 'Non-IFRS measures as defined by the Company' and 'Financial tables' sections.

(3) Free cash flow is a non-IFRS measure. For additional information regarding free cash flow, see the explanation of non-IFRS measures and reconciliation tables in the 'Non-IFRS measures as defined by the Company' and 'Financial tables' sections.

(4) The forward-looking guidance included in this press release cannot be reconciled to the comparable IFRS measures without unreasonable efforts, because we are not able to predict with reasonable certainty the ultimate amount or nature of exceptional items in the fiscal year. Refer to the section 'Non-IFRS measures as defined by the Company' for more information.

(5) Core effective tax rate, a non-IFRS measure, is the applicable annual tax rate on core taxable income. For additional information, see the explanation regarding reconciliation of forward-looking guidance in the 'Non-IFRS measures as defined by the Company' section.

Cautionary Note Regarding Forward-Looking Statements

This press release 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 press release 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

This report may contain references to our proprietary intellectual property. All product names appearing in *italics* or ALL CAPS are trademarks owned by or licensed to Alcon Inc. Product names identified by a "®" or a "™" are trademarks that are not owned by or licensed to Alcon or its subsidiaries and are the property of their respective owners.

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 currency and free cash flow.

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 currency

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.

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.

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 guidance for forward-looking non-IFRS measures

The forward-looking guidance included in this press release cannot be reconciled to the comparable IFRS measures without unreasonable efforts, because we are not able to predict with reasonable certainty the ultimate amount or nature of exceptional items in the fiscal year. These items are uncertain, depend on many factors and could have a material impact on our IFRS results for the guidance period.

Financial tables

Net sales by region

($ millions unless indicated otherwise)	Three months ended September 30				Nine months ended September 30			
	2023		2022		2023		2022	
United States	1,062	46%	979	46%	3,245	46%	2,908	45%
International	1,241	54%	1,145	54%	3,793	54%	3,591	55%
Net sales to third parties	**2,303**	**100%**	**2,124**	**100%**	**7,038**	**100%**	**6,499**	**100%**

Consolidated Income Statement (unaudited)

($ millions except earnings per share)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net sales to third parties	**2,303**	**2,124**	**7,038**	**6,499**
Other revenues	26	16	65	47
Net sales and other revenues	**2,329**	**2,140**	**7,103**	**6,546**
Cost of net sales	(1,022)	(958)	(3,092)	(2,924)
Cost of other revenues	(18)	(16)	(54)	(44)
Gross profit	**1,289**	**1,166**	**3,957**	**3,578**
Selling, general & administration	(798)	(762)	(2,415)	(2,306)
Research & development	(201)	(159)	(620)	(506)
Other income	64	5	74	17
Other expense	(61)	(45)	(165)	(132)
Operating income	**293**	**205**	**831**	**651**
Interest expense	(47)	(34)	(142)	(94)
Other financial income & expense	(8)	(24)	(25)	(63)
Income before taxes	**238**	**147**	**664**	**494**
Taxes	(34)	(31)	(117)	(62)
Net income	**204**	**116**	**547**	**432**
Earnings per share ($)				
Basic	0.41	0.24	1.11	0.88
Diluted	0.41	0.23	1.10	0.87
Weighted average number of shares outstanding (millions)				
Basic	493.2	491.7	492.9	491.4
Diluted	496.3	494.7	496.3	494.3

Balance sheet highlights

($ millions)	September 30, 2023	December 31, 2022
Cash and cash equivalents	1,051	980
Current financial debts	131	107
Non-current financial debts	4,568	4,541

Free cash flow (non-IFRS measure)

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

	Nine months ended September 30	
($ millions)	2023	2022
Net cash flows from operating activities	**937**	**872**
Purchase of property, plant & equipment	(345)	(397)
Free cash flow	**592**	**475**

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

Three months ended September 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	**1,289**	**166**	**—**	**4**	**1,459**
Operating income	**293**	**167**	**30**	**(40)**	**450**
Income before taxes	**238**	**167**	**30**	**(40)**	**395**
Taxes[6]	(34)	(30)	(5)	1	(68)
Net income	**204**	**137**	**25**	**(39)**	**327**
Basic earnings per share ($)	0.41				0.66
Diluted earnings per share ($)	0.41				0.66
Basic - weighted average shares outstanding (millions)[7]	493.2				493.2
Diluted - weighted average shares outstanding (millions)[7]	496.3				496.3

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 September 30, 2022

($ 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	**1,166**	**142**	**—**	**2**	**1,310**
Operating income	**205**	**145**	**17**	**(2)**	**365**
Income before taxes	**147**	**145**	**17**	**(2)**	**307**
Taxes[6]	(31)	(24)	(2)	(2)	(59)
Net income	**116**	**121**	**15**	**(4)**	**248**
Basic earnings per share ($)	0.24				0.50
Diluted earnings per share ($)	0.23				0.50
Basic - weighted average shares outstanding (millions)[7]	491.7				491.7
Diluted - weighted average shares outstanding (millions)[7]	494.7				494.7

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

Nine months ended September 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	**3,957**	**499**	**—**	**13**	**4,469**
Operating income	**831**	**508**	**82**	**(12)**	**1,409**
Income before taxes	**664**	**508**	**82**	**(12)**	**1,242**
Taxes[6]	(117)	(91)	(14)	(5)	(227)
Net income	**547**	**417**	**68**	**(17)**	**1,015**
Basic earnings per share ($)	1.11				2.06
Diluted earnings per share ($)	1.10				2.05
Basic - weighted average shares outstanding (millions)[7]	492.9				492.9
Diluted - weighted average shares outstanding (millions)[7]	496.3				496.3

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

Nine months ended September 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	**3,578**	**423**	**59**	**—**	**—**	**(1)**	**4,059**
Operating income	**651**	**437**	**61**	**41**	**20**	**8**	**1,218**
Income before taxes	**494**	**437**	**61**	**41**	**20**	**8**	**1,061**
Taxes[6]	(62)	(73)	(14)	(6)	(5)	(2)	(162)
Net income	**432**	**364**	**47**	**35**	**15**	**6**	**899**
Basic earnings per share ($)	0.88						1.83
Diluted earnings per share ($)	0.87						1.82
Basic - weighted average shares outstanding (millions)[7]	491.4						491.4
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.

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 September 30, 2023, Gross profit includes the amortization of inventory fair value adjustments related to a recent acquisition. Operating income also includes the release of a contingent liability related to a recent acquisition and fair value adjustments to contingent consideration liabilities, partially offset by integration related expenses for a recent acquisition, fair value adjustments of financial assets and the amortization of option rights.

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

For the nine months ended September 30, 2023, Gross profit includes the amortization of inventory fair value adjustments related to a recent acquisition. Operating income also includes the release of a contingent liability related to a recent acquisition and fair value adjustments to contingent consideration liabilities, partially offset by integration related expenses for a recent acquisition, fair value adjustments of financial assets and the amortization of option rights.

For the nine months ended September 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 acquisition and integration related expenses and fair value adjustments of financial assets, partially offset by fair value adjustments to contingent consideration liabilities.

(6) For the three months ended September 30, 2023, tax associated with operating income core adjustments of $157 million totaled $34 million with an average tax rate of 21.7%.

For the three months ended September 30, 2022, tax associated with operating income core adjustments of $160 million totaled $28 million with an average tax rate of 17.5%.

For the nine months ended September 30, 2023, tax associated with operating income core adjustments of $578 million totaled $110 million with an average tax rate of 19.0%.

For the nine months ended September 30, 2022, total tax adjustments of $100 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of $567 million totaled $103 million with an average tax rate of 18.2%.

(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.

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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