2019 Earnings Conference

February 26, 2020

Alcon
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Legal Disclaimers

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,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. You should not place undue reliance on these statements.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on Alcon’s current beliefs, expectations and assumptions regarding the future of its 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 forward-looking statements are subject to various risks and uncertainties facing Alcon, including: the commercial success of its products and its ability to maintain and strengthen its position in its markets; the success of its research and development efforts, including its ability to innovate to compete effectively; its success in completing and integrating strategic acquisitions; pricing pressure from changes in third party payor coverage and reimbursement methodologies; global economic, financial, legal, tax, political, and social change; ongoing industry consolidation; its ability to properly educate and train healthcare providers on its products; changes in inventory levels or buying patterns of its customers; disruption in its global supply chain or important facilities; ability to service its debt obligations; the uncertainty as to what interest rate benchmark will replace LIBOR; the need for additional financing through the issuance of debt or equity; its reliance on outsourcing key business functions; its ability to protect its intellectual property; the impact on unauthorized importation of its products from countries with lower prices to countries with higher prices; the effects of litigation, including product liability lawsuits, and governmental investigations; its ability to comply with all laws to which it may be subject; effect of product recalls or voluntary market withdrawals; data breaches or other disruptions of its information technology systems; the implementation of its enterprise resource planning system; its ability to attract and retain qualified personnel; the accuracy of its accounting estimates and assumptions, including pension plan obligations, the carrying value of intangible assets, and our separation and transformation programs cost; the ability to obtain regulatory clearance and approval of its products as well as compliance with any post-approval obligations, including quality control of its manufacturing; legislative and regulatory reform; the ability of Alcon Pharmaceuticals Ltd. to comply with its investment tax incentive agreement with the Swiss State Secretariat for Economic Affairs in Switzerland and the Canton of Fribourg, Switzerland; the impact of environmental, social, and governance matters; its ability to operate as a stand-alone company; whether the transitional services Novartis has agreed to provide Alcon are sufficient; the impact of being listed on two stock exchanges; the ability to declare and pay dividends; the different rights afforded to its shareholders as a Swiss corporation compared to a US corporation; and the effect of maintaining or losing its foreign private issuer status under US securities laws.

Some of these factors are discussed in more detail in Alcon's 2019 Annual Report, including under “Item 3. Key Information—3.D. Risk Factors”, “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects”. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the Annual Report as anticipated, believed, estimated or expected. We do not intend, and do not assume any obligation, to update any information or 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.

Non-IFRS measures

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, 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 non-IFRS measures are presented solely to permit investors to more fully understand how Alcon management assesses underlying performance. These non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures.

Agenda

- Highlights
- 2019 results
- 2020 guidance
- Capital allocation

2019 Highlights

2019 Accomplishments

STAND UP NEW ALCON

Separation process on track

New functions fully staffed

Global SAP implementation progressing well (commercial sales primarily completed this year)

Refinanced $2B debt

GROW REVENUE

Achieved 2019 financial targets while executing a complex spin-off and separation process

2019 net sales hit $7.4B, 13th consecutive quarter of constant currency[(1)] growth

Successful launches of *PANOPTIX* and *PRECISION1* in the US, for a total of 22 new product approvals

TRANSFORM CULTURE

New transformation program underway to reinvest $200-225M of efficiencies into growth initiatives

Fuels long-term top line growth and margin expansion

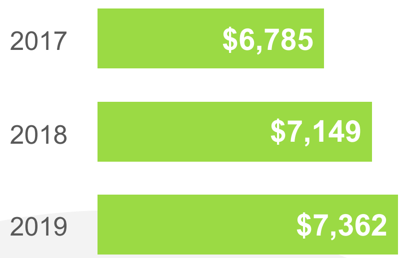
Process simplification and new systems enabling greater agility

(1) Constant currency growth is a non-IFRS measure. Refer to the Appendix for additional information related to IFRS measures.

2019 Financial accomplishments

TOP LINE GROWTH

Third Party Sales ($M)

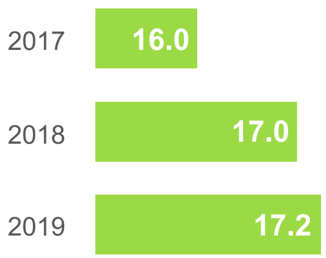


Surgical segment net sales +7% cc(1)

Vision Care segment net sales +3% cc(1)

PROFITABILITY

Core Op. Margin (%)

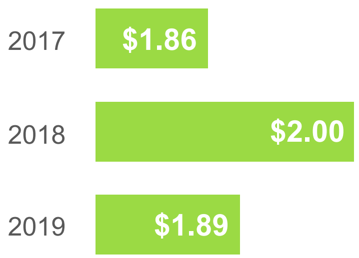


2019 core operating margin(1)

+20 bps year over year
+80 bps year over year in constant currency

CORE EPS

Core Diluted EPS

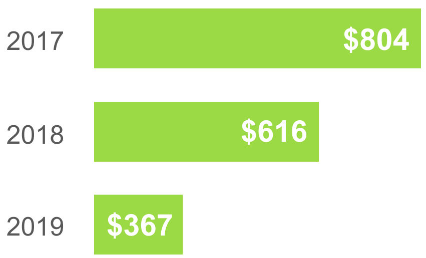


2019 core EPS(1) reflects

- Interest expense on financial debts of $0.14/ share
- Foreign exchange impact $0.12/share

CASH GENERATION

Free Cash Flow ($M)



Positive free cash flow(1) after:

- Spin-readiness costs
- Separation costs
- Interest expense on financial debts
- New Vision Care manufacturing line expansion

(1) Core operating margin, core EPS, constant currency growth and free cash flow are non-IFRS measures. Refer to the Appendix for definitions of IFRS measures and reconciliations to the most directly comparable measures presented in accordance with IFRS.

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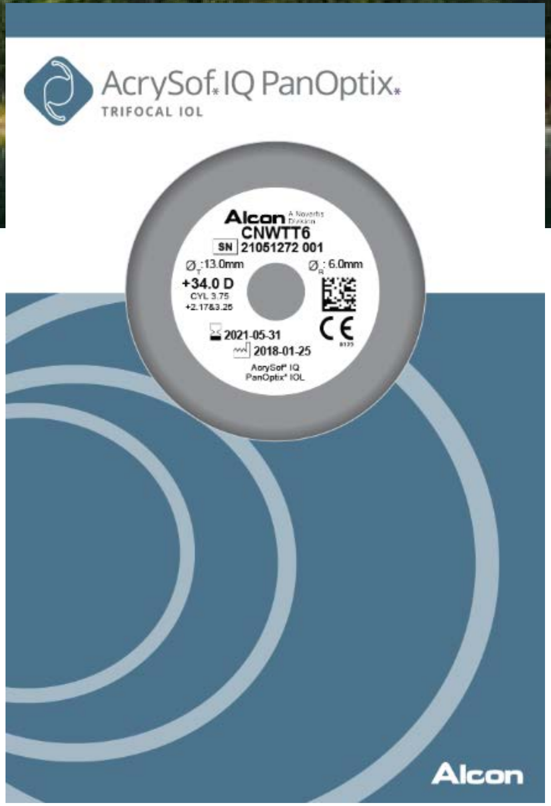


PATIENT PROFILE

Ideal for presbyopic patients seeking acuity across near, intermediate and distance

Typically active patients with high-performance visual needs and want to be spectacle-free

MARKET OUTLOOK

One of the most successful launches in Alcon's recent history

Recently launched in the US and Japan

First and only trifocal in the US

Strong debut achieved 55% market share in four months in the US(1)

(1) Alcon internal estimates

VIVITY

PATIENT PROFILE

The first and only lens that provides PC-IOL performance with the ease of monofocal patient management

Uses non-diffractive mechanism of action to deliver extended vision, reducing need for glasses

Ideal for patients seeking PC-IOL performance with sensitivity to halos and glare

MARKET OUTLOOK

Closely monitoring performance in Europe

US FDA approval pending

CUSTOMER PROFILE

New customers seeking lasting performance and silicone hydrogel (SiHy) comfort

MARKET OUTLOOK

Targeting the largest segment of the fast growing daily disposable market

Strong fit set activation and revenue per fit set compared to *DAILIES TOTAL1's* launch

Capacity ramp-up on track, supporting unconstrained availability in the US

PATADAY

makes OTC switch in the US featuring the #1 prescribed eye allergy itch ingredient

CUSTOMER PROFILE

66M Americans suffer from ocular allergies, with only 10% using eye OTC drops(1)(2)

Ideal for customers seeking lasting, rapid prescription-strength relief

MARKET OUTLOOK

Launching March, 2020

Offering *PATADAY* in two strength options

~$600M US ocular allergy market(3)

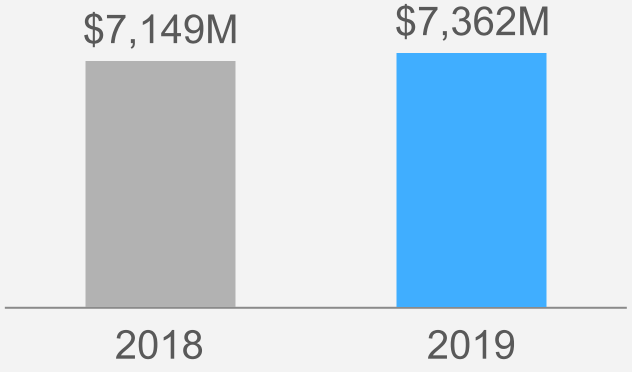
(1) Gomes, PJ. Trends in prevalence and treatments of ocular allergy. Curr Opin Allergy Clin Immunol. 2014; 14: 451-456
(2) Singh, K. Axelrod, S. Bielory, L. The epidemiology of ocular and nasal allergy in the United States. 1988-1994. 5. US Population Census 2019
(3) IQVIA

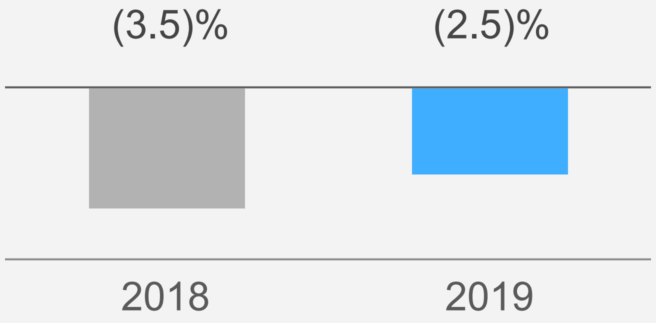
IFRS Results

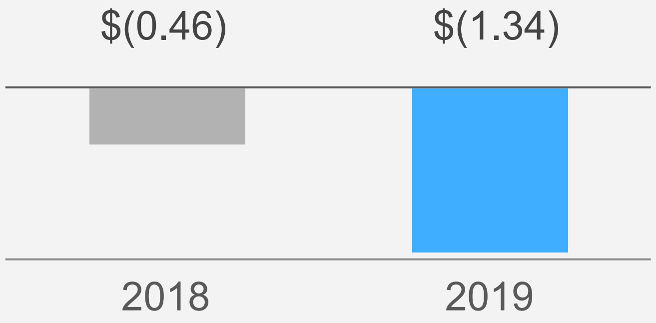
Full Year and Fourth Quarter Results (IFRS)

Worldwide Net Sales | **Operating Margin** | **EPS**

2019



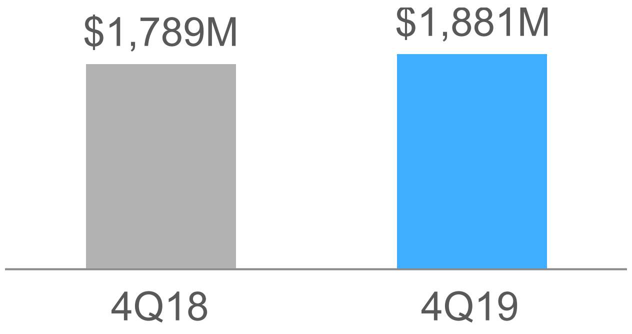


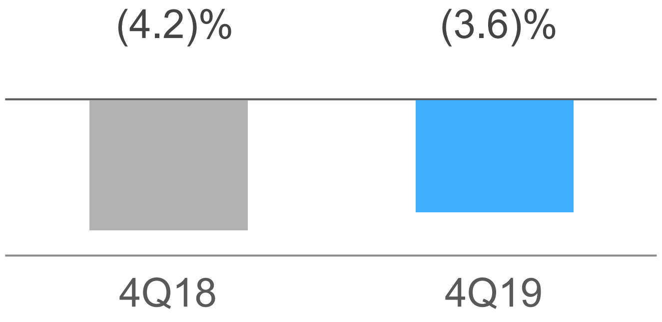


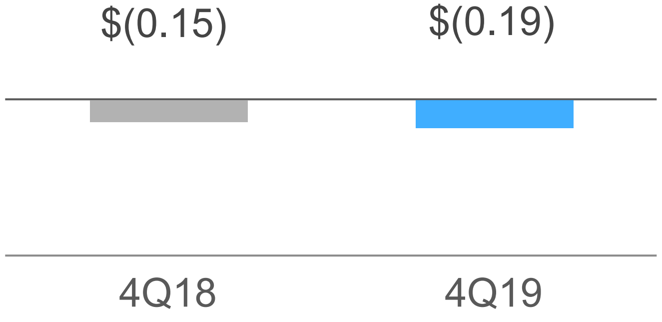
+3% USD

2019 EPS includes separation, spin-readiness and transformation costs, Swiss tax reform impact, interest expense

4Q19





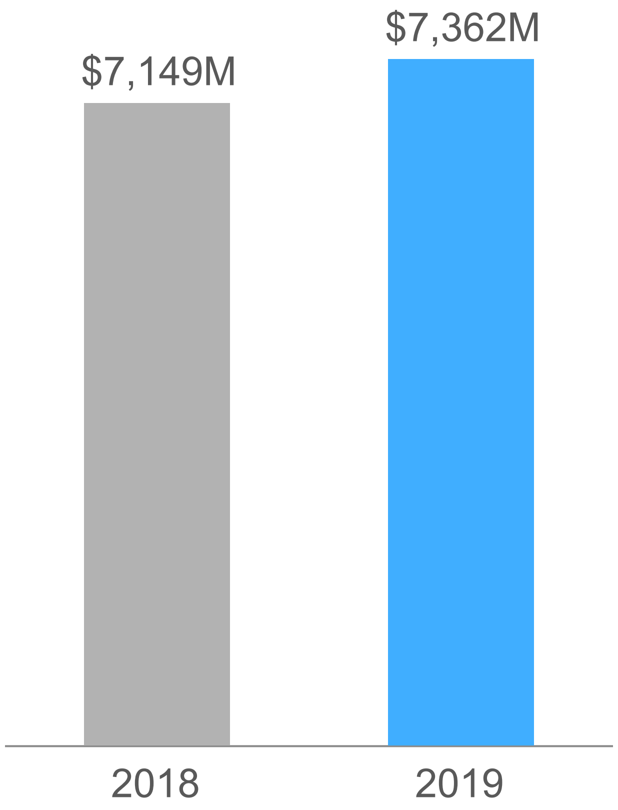


+5% USD

Core Results

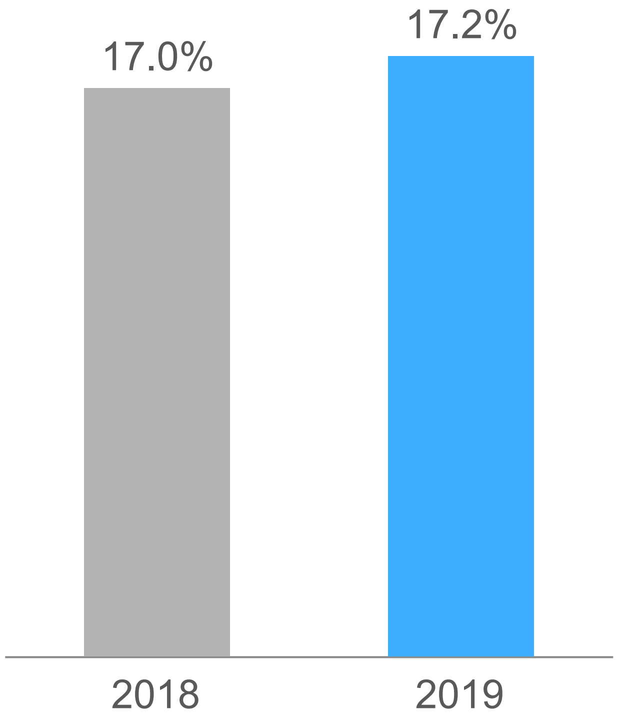
Full Year 2019 Results (Core)(1)

Worldwide Net Sales



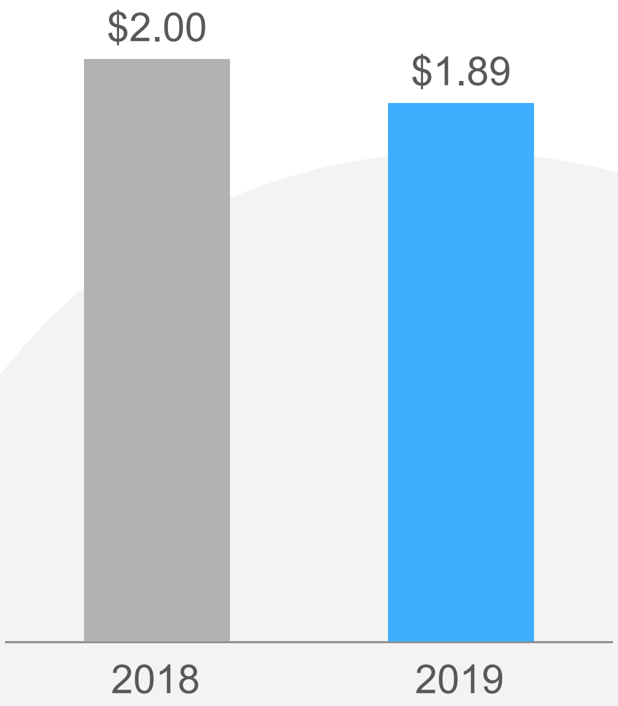
+5% cc[1]

Core Operating Margin



2019 includes -60 bps FX impact[1]

Core Diluted EPS



2019 includes $0.14/sh of interest expense on debt and $0.12/sh of FX impact[1]

(1) Core operating margin, core EPS and constant currency growth, including FX impacts, are non-IFRS measures. An explanation of non-IFRS measures can be found in the Appendix.

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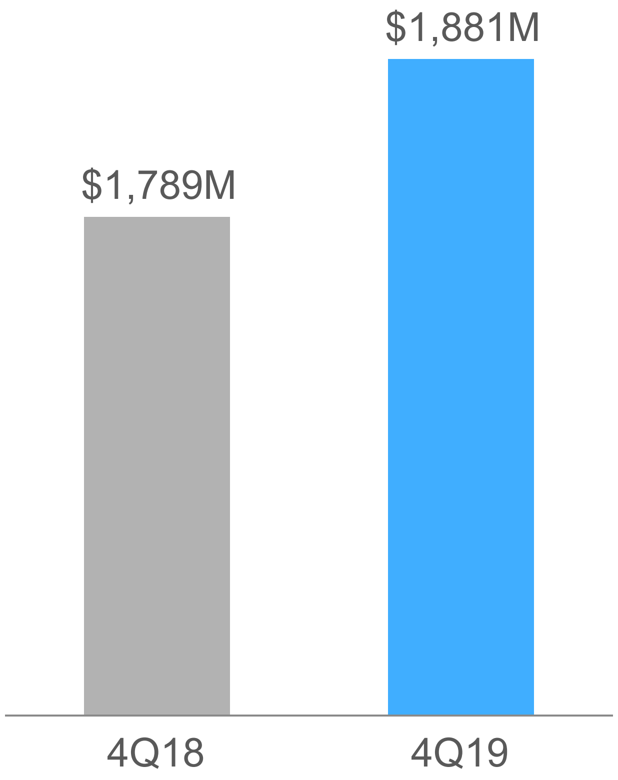
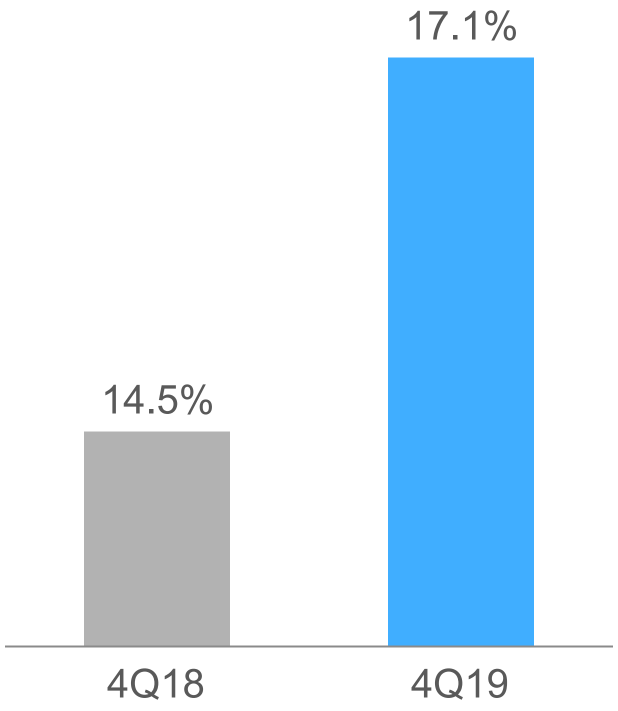
Fourth Quarter 2019 Results (Core)[1]

Worldwide Net Sales



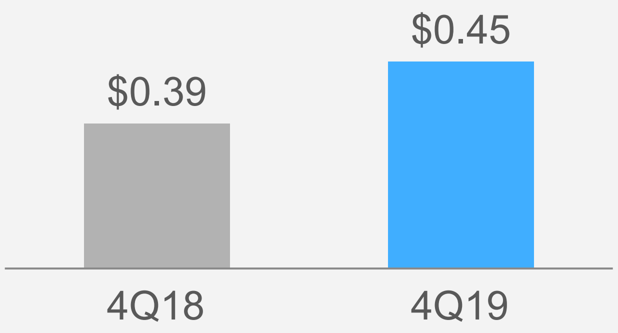
+6% cc[1]

Core Operating Margin



4Q19 includes -20 bps FX impact[1]

Core Diluted EPS



4Q19 includes $0.04/sh of interest expense on debt

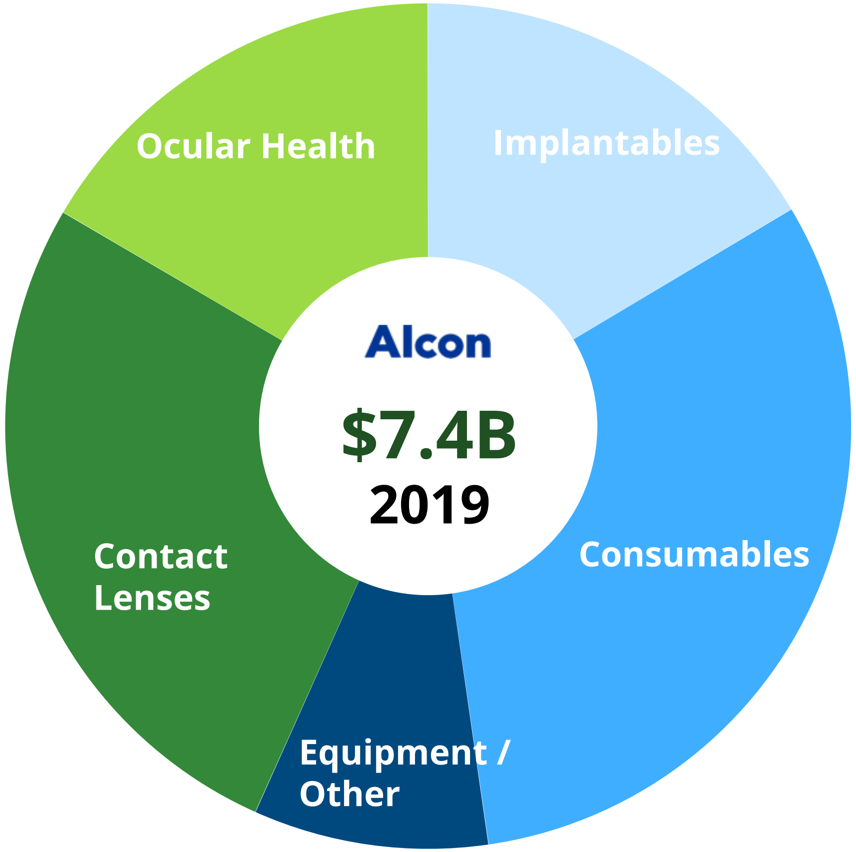
(1) Core operating margin, core EPS and constant currency growth, including FX impacts, are non-IFRS measures. An explanation of non-IFRS measures can be found in the Appendix.

Mix of Vision Care and Surgical Products

Vision Care $3.2B (43%)

Ocular Health (38%)
- Dry eye products
- Contact lens solution
- Ocular allergy drops

Contact Lenses (62%)
- Daily lenses
- Reusable lenses
- Cosmetic lenses



Surgical $4.2B (57%)

Implantables (29%)
- Monofocal intraocular lenses
- Advanced technology IOLs

Consumables (55%)
- Dedicated consumables
- Custom surgical packs
- Procedural products

Equipment / Other (16%)
- Cataract equipment
- Retinal equipment
- Refractive equipment
- Diagnostic and visualization
- Equipment service
- Procedural eye drops

Numbers are rounded for presentation purposes.

Surgical growth continues momentum

+

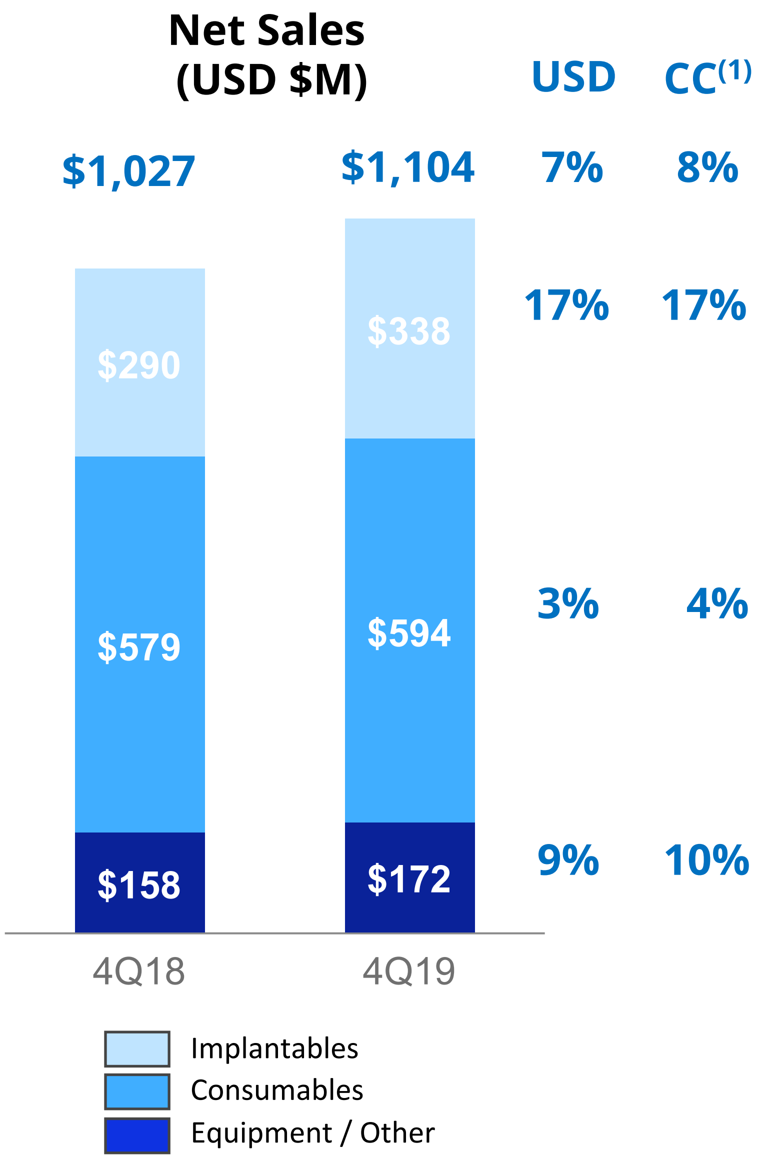
- Strong double-digit growth in *PANOPTIX* trifocal IOL, with recent launches in US and Japan

+

- Growth in line with procedural market
- Cataract, vit-ret and refractive posted sales gains
- Educational programs OUS driving vit-ret demand

+

- Equipment sales included a large refractive order
- Good quarter in service revenue and procedural drops



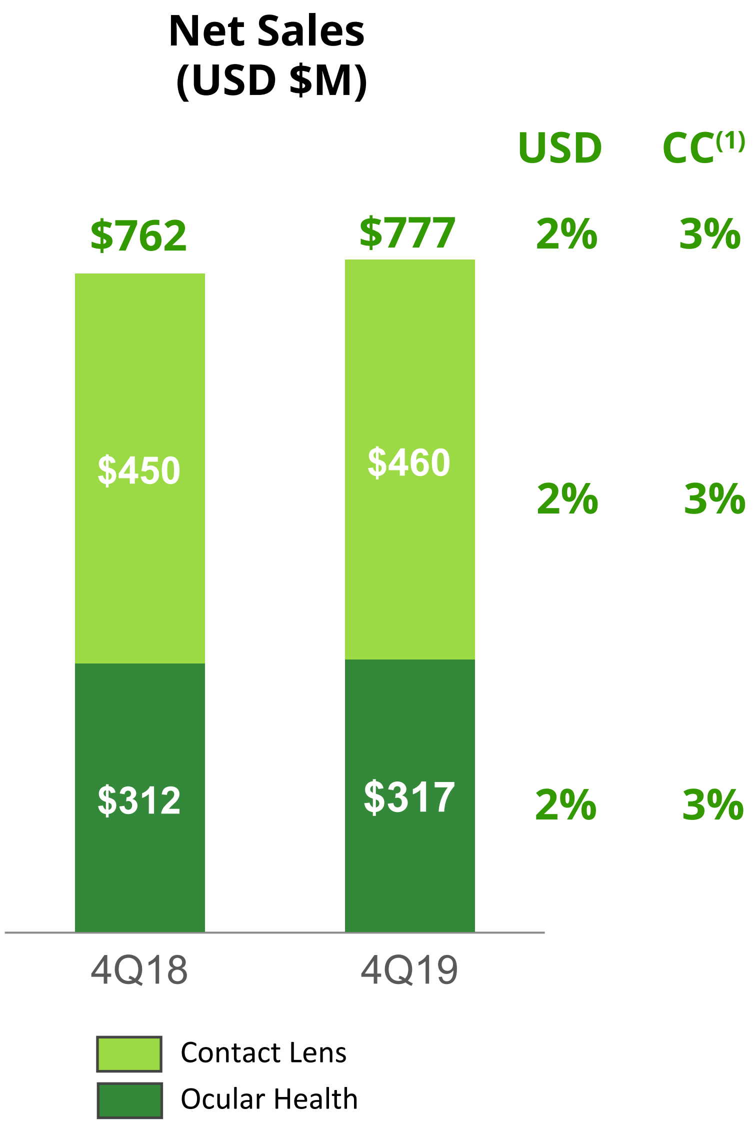
(1) Constant currency growth is a non-IFRS measure. An explanation of non-IFRS measures can be found in the Appendix.

Innovation drives growth in Vision Care

+
- Double-digit growth in *DAILIES TOTAL1*
- Strong customer demand for multifocals

+
- Ongoing roll out of *SYSTANE Complete* across European markets

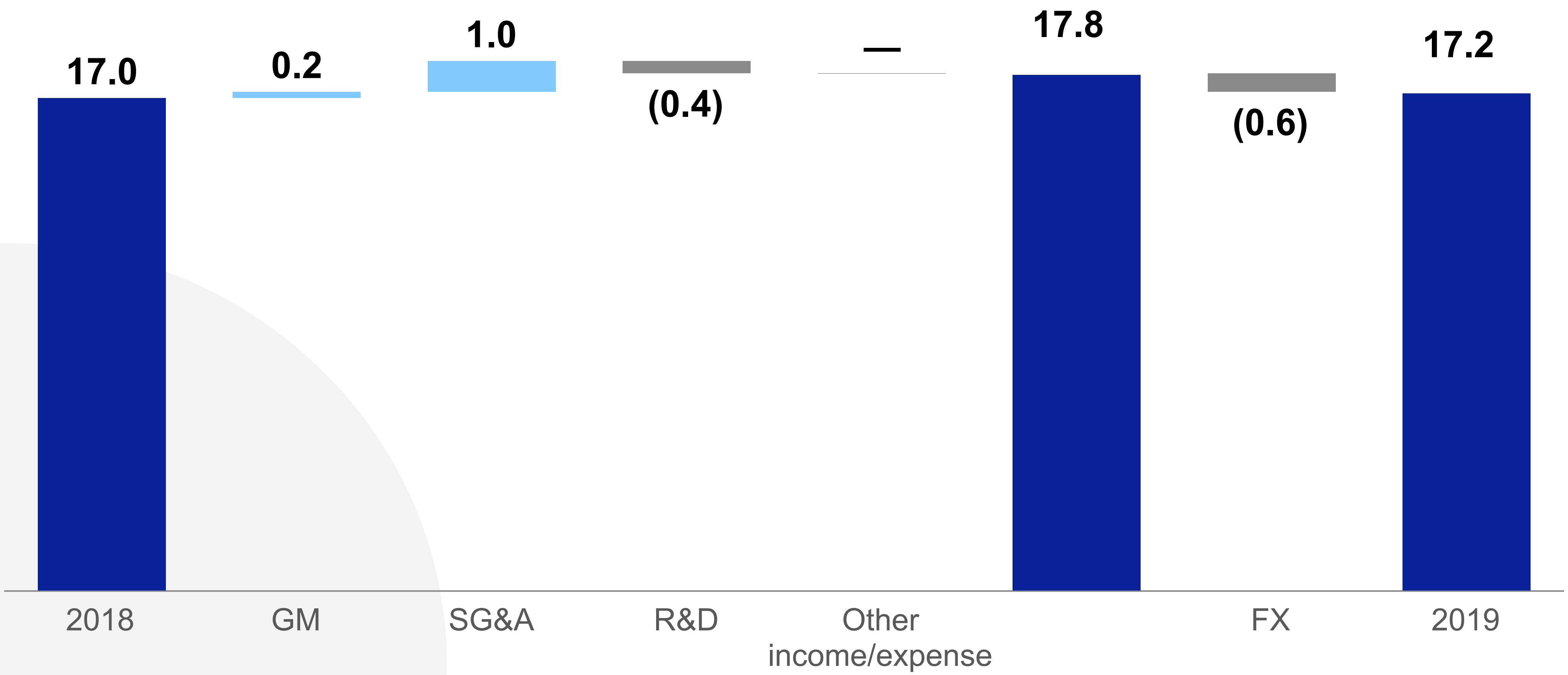
-
- Contact lens care declining with market



(1) Constant currency growth is a non-IFRS measure. An explanation of non-IFRS measures can be found in the Appendix.

Core operating margin(1) bridge

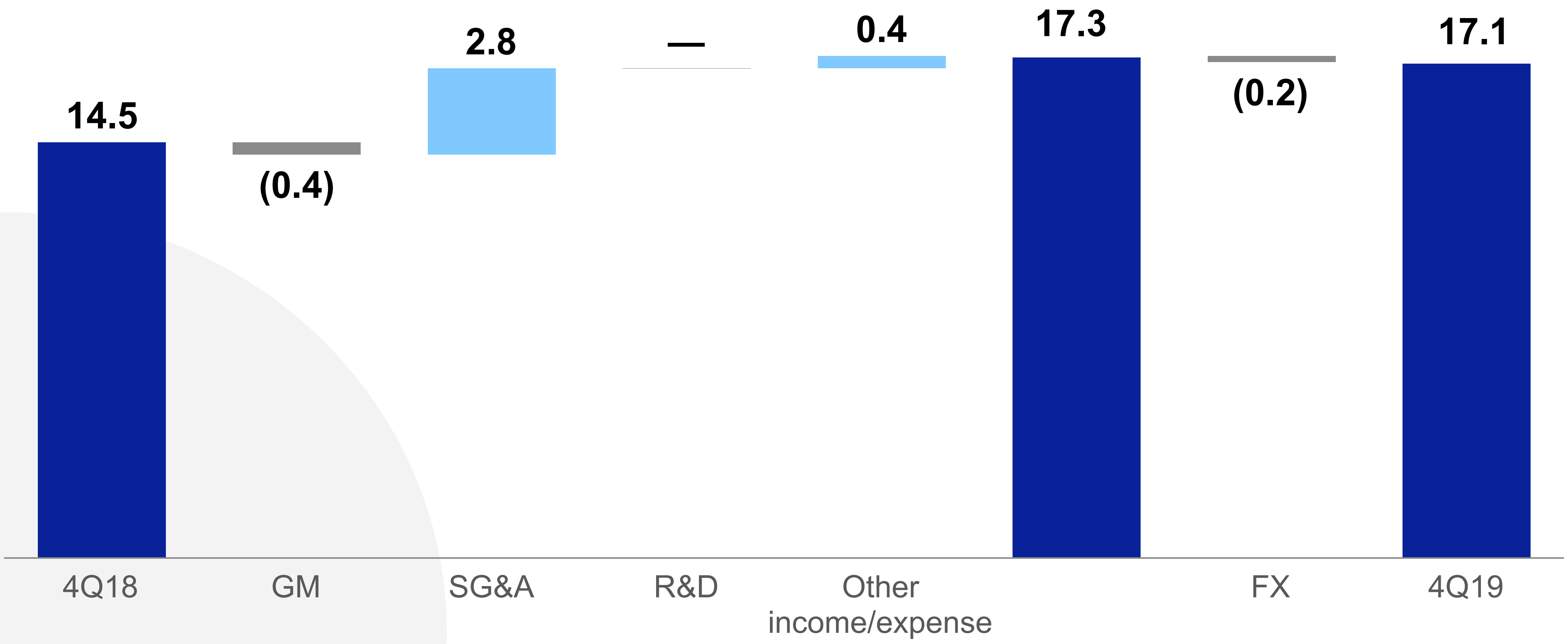
2019 vs 2018 (% of net sales)



(1) Core operating margin and constant currencies are non-IFRS measures. Refer to the Appendix for definitions of IFRS measures and reconciliations to the most directly comparable measures presented in accordance with IFRS.

Core operating margin[1] bridge

4Q19 vs 4Q18 (% of net sales)



(1) Core operating margin and constant currencies are non-IFRS measures. Refer to the Appendix for definitions of IFRS measures and reconciliations to the most directly comparable measures presented in accordance with IFRS.

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Other financial highlights

Debt

$3.5 billion

Paid down debt in certain high interest locations

Cash and cash equivalents

$822 million

FY cash flows from operations $920 million
FY free cash flow(1) $367 million

Capex

$553 million

Investing in new Vision Care manufacturing lines

Separation and spin readiness

$309 million

Expect to complete separation costs in 2021

Transformation

$52 million

Expect to complete transformation costs in 2023

(1) Free cash flow is a non-IFRS measure. Refer to the appendix for additional information, including a reconciliation to the most directly comparable measure presented in accordance with IFRS.

2020 Guidance

2020 guidance for solid growth

	2019	2020 outlook
Net sales cc growth(1)	5%	5% – 6%
Foreign currency impact	-200bps	flat to -100 bps
Core operating margin(2)	17.2%	17.5% - 18.5%
Interest expense / OFI	$145M	$145 - 155M
Core effective tax rate(3)	17.4%	19.5% - 21.5%
Core EPS(4)	$1.89	$1.95 - $2.05

Every 1% move in USD/FX basket impacts sales by ~$40M and core operating income by ~$15M

Core EPS assumes 492M to 493M shares outstanding

(1) Constant currency sales growth is a non-IFRS measure. Growth in constant currency is calculated by translating the current year's foreign currency items into US dollars using average exchange rates from the prior year and comparing them to prior year values in US dollars. An explanation of non-IFRS measures can be found in appendix.
(2) Core operating margin is a non-IFRS measure. Refer to the appendix for additional information, including a reconciliation for such core results to the most directly comparable measures presented in accordance with IFRS.
(3) Core effective tax rate, a non-IFRS measure, is the applicable annual tax rate on core taxable income.
(4) Core EPS is a non-IFRS measure.

Capital allocation priorities: Organic growth and transformation

Proposed Dividend

Opportunistic M&A
External Research Partnerships

New Product Launches
Improve Product Flow

Marketing and R&D
New Lens Manufacturing Capacity

Complete Separation
and Transformation

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Transforming New Alcon

Accelerating innovation and R&D

Driving sustainable top/bottom line growth

Appendix

Appendix: 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, 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 non-IFRS measures are presented solely to permit investors to more fully understand how Alcon management assesses underlying performance. These 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, 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 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 (1) the impact of translating the income statements of consolidated entities from their non-US dollar functional currencies to the US dollar and (ii) 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 prior year and comparing them to the prior year values 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.

Reconciliation of guidance of forward-looking non-IFRS measures

The forward-looking guidance included in this presentation cannot be reconciled to the comparable IFRS measures without unreasonable efforts, because Alcon is 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 its IFRS results for the guidance period.

Reconciliation of IFRS to Core Results

Twelve months ended December 31, 2019

($ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets[1]	Separation costs[2]	Transformation Costs[3]	Legal items[4]	Other items[5]	Core Results
Gross profit	**3,662**	**1,007**	**10**	**—**	**—**	**(16)**	**4,663**
Operating (loss)/income	**(187)**	**1,040**	**237**	**52**	**32**	**91**	**1,265**
(Loss)/income before taxes	**(332)**	**1,040**	**237**	**52**	**32**	**91**	**1,120**
Taxes[6]	(324)	(140)	(54)	(7)	(8)	338	(195)
Net (loss)/income	**(656)**	**900**	**183**	**45**	**24**	**429**	**925**
Basic (loss)/earnings per share	(1.34)						1.89
Diluted (loss)/earnings per share	(1.34)						1.89
Basic - weighted average shares outstanding[7]	488.2						488.2
Diluted - weighted average shares outstanding[7]	488.2						490.1

Adjustments to arrive at core operating income							
Selling, general & administration	(2,847)	—	30	—	—	15	(2,802)
Research & development	(656)	33	4	—	—	35	(584)
Other income	55	—	—	—	—	(9)	46
Other expense	(401)	—	193	52	32	66	(58)

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

(2) Separation costs are expected to be incurred over the two to three-year period following the completion of the Spin-off from Novartis and primarily include costs related to IT and third party consulting fees.

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

(4) Includes legal settlement costs and certain external legal fees.

(5) Gross Profit includes $37 million in fair value adjustments of contingent consideration liabilities, partially offset by $21 million in spin readiness costs, manufacturing sites consolidation activities, and integration of recent acquisitions. Selling, general & administration primarily includes spin readiness costs and the integration of recent acquisitions. Research & development includes $73 million for the amortization of option rights, post-marketing study following a product's voluntary market withdrawal, and the integration of recent acquisitions, partially offset by $38 million in fair value adjustments for contingent consideration liabilities. Other income primarily includes a realized gain on a financial asset. Other expense primarily includes spin readiness costs, fair value adjustments of a financial asset and other items.

(6) Total tax adjustments of $129 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of $1.5 billion totaled $215 million with an average tax rate of 14.8%.

Core tax adjustments for discrete items totaled $344 million, primarily including $304 million in non-cash tax expense for re-measurement of deferred tax balances as a result of Swiss tax reform, tax expense related to rate changes in the US following legal entity reorganizations executed related to the Spin-off, non-cash tax expense related to the re-measurement of deferred tax assets and liabilities following a tax rate change in India, and net changes in uncertain tax positions.

(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 1.9 million dilutive shares associated with unvested equity-based awards.

Reconciliation of IFRS to Core Results

Twelve months ended December 31, 2018

($ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets[1]	Impairments[2]	Restructuring items[3]	Legal items[4]	Other items[5]	Core Results
Gross profit	**3,192**	**996**	**376**	**—**	**—**	**(23)**	**4,541**
Operating (loss)/income	**(248)**	**1,007**	**378**	**9**	**28**	**38**	**1,212**
(Loss)/income before taxes	**(300)**	**1,007**	**378**	**9**	**28**	**38**	**1,160**
Taxes[6]	73						(186)
Net (loss)/income	**(227)**						**974**
Basic (loss)/earnings per share	(0.46)						2.00
Diluted (loss)/earnings per share	(0.46)						2.00
Basic - weighted average shares outstanding[7]	488.2						488.2
Diluted - weighted average shares outstanding[7]	488.2						488.2
Adjustments to arrive at core operating income							
Selling, general & administration	(2,801)	—	2	—	—	13	(2,786)
Research & development	(587)	11	—	—	—	47	(529)
Other income	47	—	—	(4)	—	(19)	24
Other expense	(99)	—	—	13	28	20	(38)

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

(2) Includes impairment charges related to intangible assets.

(3) Includes restructuring income and charges and related items. Certain amounts previously reported under "restructuring items" in the 2018 Form 20-F have been reclassified to "other items" to conform with presentation in the current year.

(4) Includes legal costs related to an investigation.

(5) Gross profit, selling, general & administration and research & development include charges and reversal of charges related to a product's voluntary market withdrawal. Research & development also includes amortization of option rights and a fair value adjustment of a contingent consideration liability. Other income includes fair value adjustments on a financial asset. Other expense includes spin-readiness costs and other items. Certain amounts previously reported under "restructuring items" in the 2018 Form 20-F have been reclassified to "other items" to conform with presentation in the current year.

(6) Total tax adjustments of $259 million included tax associated with operating income adjustments and discrete tax items. Tax associated with operating income adjustments of $1.5 billion totaled $237 million with average tax rate of 16.2%. Core tax adjustments for discrete items totaled $22 million, including a net out of period income tax benefit of $55 million partially offset by net changes in uncertain tax positions of $33 million.

(7) For periods prior to the Spin-off, the denominator for both core basic and diluted earnings per share was calculated using the shares of common stock distributed in the Spin-off.

Reconciliation of IFRS to Core Results

Twelve months ended December 31, 2017

($ millions except earnings per share)	IFRS Results	Amortization of certain intangible assets[1]	Impairments[2]	Restructuring items[3]	Legal items[4]	Other items[5]	Core Results
Gross profit	**3,204**	**1,007**	**—**	**—**	**—**	**—**	**4,211**
Operating (loss)/income	**(77)**	**1,017**	**86**	**30**	**61**	**(31)**	**1,086**
(Loss)/income before taxes	**(127)**	**1,017**	**86**	**30**	**61**	**(31)**	**1,036**
Taxes[6]	383						(128)
Net income	**256**						**908**
Basic (loss)/earnings per share	0.52						1.86
Diluted (loss)/earnings per share	0.52						1.86
Basic - weighted average shares outstanding[7]	488.2						488.2
Diluted - weighted average shares outstanding[7]	488.2						488.2
Adjustments to arrive at core operating income							
Research & development	(584)	10	86	—	—	(18)	(506)
Other income	47	—	—	(4)	—	(13)	30
Other expense	(148)	—	—	34	61	—	(53)

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

(2) Includes impairment charges related to intangible and financial assets.

(3) Includes restructuring income and charges and related items.

(4) Includes an increase to a legal settlement provision and legal costs related to an investigation.

(5) Research & development includes fair value adjustments to contingent consideration liabilities; other income includes a gain from a Swiss pension plan amendment and the partial reversal of a prior period charge.

(6) The required revaluation of the deferred tax assets and liabilities and a portion of current tax payables to the newly enacted tax rate at the date of enactment of the US enacted tax reform legislation (Tax Cuts and Jobs Act), resulted in a net tax income of $413 million that has been adjusted out of core taxes. Due to these factors and the differing effective tax rates in the various jurisdictions, the tax on the total adjustments of $1.2 billion to arrive at the core results before tax amounts to $98 million, excluding the tax income from US tax reform. The average tax rate on these adjustments is 8.4%.

(7) For periods prior to the Spin-off, the denominator for both core basic and diluted earnings per share was calculated using the shares of common stock distributed in the Spin-off.

Reconciliation of IFRS to Core Results

Three months ended December 31, 2019

($ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets[1]	Separation costs[2]	Transformation Costs[3]	Legal items[4]	Other items[5]	Core Results
Gross profit	**913**	**253**	**3**	**—**	**—**	**5**	**1,174**
Operating (loss)/income	**(68)**	**269**	**82**	**39**	**—**	**(1)**	**321**
(Loss)/income before taxes	**(107)**	**269**	**82**	**39**	**—**	**(1)**	**282**
Taxes[6]	16	(36)	(17)	(4)	—	(18)	(59)
Net (loss)/income	**(91)**	**233**	**65**	**35**	**—**	**(19)**	**223**
Basic (loss)/earnings per share	(0.19)						0.46
Diluted (loss)/earnings per share	(0.19)						0.45
Basic - weighted average shares outstanding[7]	488.2						488.2
Diluted - weighted average shares outstanding[7]	488.2						491.0

Adjustments to arrive at core operating income

Selling, general & administration	(714)	—	9	—	—	1	(704)
Research & development	(164)	16	1	—	—	(4)	(151)
Other income	20	—	—	—	—	(8)	12
Other expense	(123)	—	69	39	—	5	(10)

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

(2) Separation costs are expected to be incurred over the two to three-year period following the completion of the Spin-Off from Novartis and primarily include costs related to IT and third party consulting fees.

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

(4) Includes legal settlement costs and certain external legal fees.

(5) Gross Profit includes $5 million in manufacturing sites consolidation activities and integration of recent acquisitions. Selling, general & administration includes integration of recent acquisitions. Research & development includes $24 million in fair value adjustments for contingent consideration liabilities partially offset by $20 million for the amortization of option rights and the integration of recent acquisitions. Other income primarily includes a realized gain on a financial asset. Other expense primarily includes fair value adjustments of a financial asset and other items.

(6) Total tax adjustments of $75 million include tax associated with operating income core adjustments and discrete tax items.

(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 2.8 million dilutive shares associated with unvested equity-based awards.

Reconciliation of IFRS to Core Results

Three months ended December 31, 2018

($ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets[(1)]	Impairments[(2)]	Restructuring items[(3)]	Legal items[(4)]	Other items[(5)]	Core Results
Gross profit	**879**	**245**	**—**	**—**	**—**	**2**	**1,126**
Operating (loss)/income	**(75)**	**248**	**2**	**8**	**7**	**69**	**259**
(Loss)/income before taxes	**(87)**	**248**	**2**	**8**	**7**	**69**	**247**
Taxes[(6)]	14						(56)
Net (loss)/income	**(73)**						**191**
Basic (loss)/earnings per share	(0.15)						0.39
Diluted (loss)/earnings per share	(0.15)						0.39
Basic - weighted average shares outstanding[(7)]	488.2						488.2
Diluted - weighted average shares outstanding[(7)]	488.2						488.2
Adjustments to arrive at core operating income							
Selling, general & administration	(734)	—	2	—	—	13	(719)
Research & development	(166)	3	—	—	—	19	(144)
Other income	(26)	—	—	(2)	1	24	(3)
Other expense	(28)	—	—	10	6	11	(1)

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

(2) Includes impairment charges related to intangible assets.

(3) Includes restructuring income and charges and related items. Certain amounts previously reported under "restructuring items" in the 2018 Form 20-F have been reclassified to "other items" to conform with presentation in the current year.

(4) Includes legal costs related to an investigation.

(5) Gross profit and selling, general & administration include charges and reversal of charges related to a product's voluntary market withdrawal and spin readiness costs. Research & development includes amortization of option rights. Other income includes fair value adjustments on a financial asset. Other expense includes spin-readiness costs. Certain amounts previously reported under "restructuring items" in the 2018 Form 20-F have been reclassified to "other items" to conform with presentation in the current year.

(6) Total tax adjustments of $70 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income adjustments of $334 million totaled $48 million with average tax rate of 14.4%. Core tax adjustments for discrete items totaled $22 million, included a net out of period income tax benefit of $55 million partially offset by net changes in uncertain tax positions of $33 million.

(7) For periods prior to the Spin-off, the denominator for both core basic and diluted earnings per share was calculated using the 488.2 million shares of common stock distributed in the Spin-off.

Reconciliation of Free Cash Flow

The following is a summary of free cash flow together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

($ millions)	2019	2018	2017
Net cash flows from operating activities	**920**	**1,140**	**1,218**
Purchase of property, plant & equipment	(553)	(524)	(415)
Proceeds from sales of property, plant & equipment	—	—	1
Free cash flow	**367**	**616**	**804**

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